SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2003

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-13545

AMB Property Corporation

(Exact Name of Registrant as Specified in Its Charter)

Maryland *(State or Other Jurisdiction of Incorporation or Organization)*	**94-3281941** *(I.R.S. Employer Identification No.)*
Pier 1, Bay 1, San Francisco, California *(Address of Principal Executive Offices)*	**94111** *(Zip Code)*

(415) 394-9000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes☑ No ☐

As of November 6, 2003, there were 81,746,698 shares of the Registrant's common stock, $0.01 par value per share, outstanding.

TABLE OF CONTENTS

PART I

- Item 1. Financial Statements
- CONSOLIDATED BALANCE SHEETS
- CONSOLIDATED STATEMENTS OF OPERATIONS
- CONSOLIDATED STATEMENTS OF CASH FLOWS
- CONSOLIDATED STATEMENT OF STOCKHOLDERS’ EQUITY
- NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- Item 3. Quantitative and Qualitative Disclosures About Market Risk
- Item 4. Controls and Procedures

PART II

- Item 1. Legal Proceedings
- Item 2. Changes in Securities and Use of Proceeds
- Item 3. Defaults Upon Senior Securities
- Item 4. Submission of Matters to a Vote of Security Holders
- Item 5. Other Information
- Item 6. Exhibits and Reports on Form 8-K

EXHIBIT 4.1

Exhibit 31.1

Exhibit 32.1

AMB PROPERTY CORPORATION

INDEX

		Page
	PART I. FINANCIAL INFORMATION	
Item 1.	Financial Statements (unaudited)	
	Consolidated Balance Sheets as of September 30, 2003, and December 31, 2002	1
	Consolidated Statements of Operations for the three and nine months ended September 30, 2003 and 2002	2
	Consolidated Statements of Cash Flows for the nine months ended September 30, 2003 and 2002	3
	Consolidated Statement of Stockholders’ Equity for the nine months ended September 30, 2003	4
	Notes to Consolidated Financial Statements	5
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	50
Item 4.	Controls and Procedures	51
	PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings	53
Item 2.	Changes in Securities and Use of Proceeds	53
Item 3.	Defaults Upon Senior Securities	53
Item 4.	Submission of Matters to a Vote of Security Holders	53
Item 5.	Other Information	53
Item 6.	Exhibits and Reports on Form 8-K	65

PART I

Item 1. ***Financial Statements***

AMB PROPERTY CORPORATION

CONSOLIDATED BALANCE SHEETS
As of September 30, 2003 and December 31, 2002

	September 30, 2003	December 31, 2002
	(Unaudited, dollars in thousands)	
ASSETS		
Investments in real estate:		
Land	$1,272,532	$1,236,406
Buildings and improvements	3,613,012	3,557,086
Construction in progress	209,029	132,490
Total investments in properties	5,094,573	4,925,982
Accumulated depreciation and amortization	(442,755)	(362,540)
Net investments in properties	4,651,818	4,563,442
Investments in unconsolidated joint ventures	56,159	64,428
Properties held for divestiture, net	20,467	107,871
Net investments in real estate	4,728,444	4,735,741
Cash and cash equivalents	128,378	89,332
Restricted cash	24,054	27,882
Mortgage receivable	13,066	13,133
Accounts receivable, net of allowance for doubtful accounts	80,927	74,207
Other assets	70,208	52,199
Total assets	$5,045,077	$4,992,494
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt:		
Secured debt	$1,312,105	$1,284,675
Unsecured senior debt securities	800,000	800,000
Alliance Fund II credit facility	—	45,500
Unsecured debt	9,772	10,186
Unsecured credit facility	91,335	95,000
Total debt	2,213,212	2,235,361
Dividends payable	46,251	41,213
Accounts payable and other liabilities	133,307	140,503
Total liabilities	2,392,770	2,417,077
Commitments and contingencies (Notes 3 and 12)		
Minority interests:		
Joint venture partners	644,413	488,524
Preferred unitholders	305,197	308,369
Limited partnership unitholders	88,553	94,374
Total minority interests	1,038,163	891,267
Stockholders' equity:		
Series A preferred stock, cumulative, redeemable, $.01 par value, 4,600,000 shares authorized and 3,995,800 issued and outstanding, $99,895 liquidation preference at December 31, 2002	—	95,994
Series L preferred stock, cumulative, redeemable, $.01 par value, 2,300,000 shares authorized and 2,000,000 issued and outstanding, $50,000 liquidation preference	48,221	—
Common stock $.01 par value, 500,000,000 shares authorized, 81,681,573 and 82,029,449 issued and outstanding	817	820
Additional paid-in capital	1,564,090	1,580,733
Retained earnings	—	6,572
Accumulated other comprehensive income	1,016	31
Total stockholders' equity	1,614,144	1,684,150
Total liabilities and stockholders' equity	$5,045,077	$4,992,494

The accompanying notes are an integral part of these consolidated financial statements.

AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
For the three and nine months ended September 30, 2003 and 2002

	For the three months ended September 30,		For the nine months ended September 30,	
	2003	2002	2003	2002
	(Unaudited, dollars in thousands, except per share amounts)			
REVENUES				
Rental revenues	$ 148,239	$ 146,926	$ 450,912	$ 425,915
Private capital income	1,928	2,766	7,844	8,468
Total revenues	150,167	149,692	458,756	434,383
COSTS AND EXPENSES				
Property operating expenses	(22,356)	(20,243)	(65,013)	(54,757)
Real estate taxes	(17,664)	(17,386)	(53,215)	(50,889)
Depreciation and amortization	(32,584)	(31,446)	(99,269)	(88,650)
Impairment losses	—	—	(5,251)	—
General and administrative	(10,843)	(12,376)	(35,187)	(34,207)
Total costs and expenses	(83,447)	(81,451)	(257,935)	(228,503)
Operating income	66,720	68,241	200,821	205,880
OTHER INCOME AND EXPENSES				
Equity in earnings of unconsolidated joint ventures	1,365	1,322	4,222	4,443
Interest and other income	701	2,609	3,643	9,921
Gains from dispositions of real estate	—	—	7,429	2,480
Merchant development profits, net	2,181	618	2,181	618
Interest, including amortization	(35,867)	(37,501)	(107,963)	(109,133)
Total other income and expenses	(31,620)	(32,952)	(90,488)	(91,671)
Income before minority interests and discontinued operations	35,100	35,289	110,333	114,209
Minority interests' share of income:				
Joint venture partners	(9,809)	(8,771)	(26,410)	(23,104)
Preferred unitholders	(6,314)	(6,403)	(19,073)	(18,770)
Limited partnership unitholders	(740)	(942)	(3,093)	(3,622)
Total minority interests' share of income	(16,863)	(16,116)	(48,576)	(45,496)
Income from continuing operations	18,237	19,173	61,757	68,713
Discontinued operations:				
Income attributable to discontinued operations, net of minority interests	828	4,167	3,151	13,780
Gains from dispositions of real estate, net of minority interests	7,888	3,734	39,549	3,734
Total discontinued operations	8,716	7,901	42,700	17,514
Net income	26,953	27,074	104,457	86,227
Preferred stock dividends	(1,470)	(2,123)	(5,788)	(6,373)
Preferred stock and unit redemption discount/(issuance costs)	(3,671)	412	(3,671)	412
Net income available to common stockholders	$ 21,812	$ 25,363	$ 94,998	$ 80,266
Basic income per common share				
Income from continuing operations (includes preferred stock dividends and preferred stock and unit redemption discount/(issuance costs))	$ 0.16	$ 0.21	$ 0.64	$ 0.75
Discontinued operations	0.11	0.09	0.53	0.21
Net income available to common stockholders	$ 0.27	$ 0.30	$ 1.17	$ 0.96
Diluted income per common share				
Income from continuing operations (includes preferred stock dividends and preferred stock and unit redemption discount/(issuance costs))	$ 0.16	$ 0.21	$ 0.63	$ 0.73
Discontinued operations	0.10	0.09	0.52	0.21
Net income available to common stockholders	$ 0.26	$ 0.30	$ 1.15	$ 0.94
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	81,096,837	83,723,897	81,072,304	83,755,195

Diluted	82,720,130	85,527,829	82,539,800	85,360,210

The accompanying notes are an integral part of these consolidated financial statements.

AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2003 and 2002

	2003	2002
	(Unaudited, dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 104,457	$ 86,227
Adjustments to net income:		
Straight-line rents	(6,832)	(10,385)
Depreciation and amortization	99,269	88,650
Impairment losses	5,251	—
Stock-based compensation amortization	6,000	3,950
Equity in earnings of unconsolidated joint ventures	(4,222)	(4,443)
Gains from dispositions of real estate	(7,429)	(2,480)
Merchant development profits, net of minority interests	(2,181)	(618)
Debt premiums, discounts and finance cost amortization, net	1,577	1,772
Total minority interests’ share of net income	48,576	45,496
Discontinued operations:		
Depreciation and amortization	1,910	6,821
Joint venture partners’ share of net income	913	1,760
Limited partnership unitholders’ share of net income	183	802
Gains from dispositions of real estate, net of minority interests	(39,549)	(3,734)
Changes in assets and liabilities:		
Accounts receivable and other assets	(27,697)	(14,320)
Accounts payable and other liabilities	(6,512)	13,284
Net cash provided by operating activities	173,714	212,782
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	3,828	(6,085)
Cash paid for property acquisitions	(176,498)	(216,850)
Additions to land, buildings, development costs and other first generation improvements	(148,909)	(110,583)
Additions to second generation building improvements and lease costs	(39,256)	(41,956)
Additions to interests in unconsolidated joint ventures	(22,071)	—
Distributions received from unconsolidated joint ventures	34,775	10,718
Net proceeds from divestiture of real estate	355,986	94,375
Net cash used in investing activities	7,855	(270,381)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock, proceeds from stock option exercises	4,774	14,674
Repurchase and retirement of common and preferred stock	(121,239)	(11,563)
Borrowings on secured debt	148,450	167,960
Payments on secured debt	(126,972)	(111,060)
Borrowings on unsecured credit facility	314,843	12,000
Payments on unsecured credit facility	(321,000)	(12,000)
Borrowings on Alliance Fund II credit facility	8,000	44,000
Payments on Alliance Fund II credit facility	(53,500)	(95,000)
Payment of financing fees	(2,625)	(2,611)
Repayment of mortgage receivable	—	74,059
Net proceeds from issuances of senior debt securities	—	19,883
Net proceeds from issuances of preferred stock or units	48,221	38,934
Repurchase of preferred units	(3,172)	(7,088)
Contributions from co-investment partners	158,718	63,712
Dividends paid to common and preferred stockholders	(113,742)	(75,381)
Distributions to minority interests, including preferred units	(84,058)	(59,897)
Net cash provided by/(used in) financing activities	(143,302)	60,622
Effect of exchange rate changes on cash	779	—
Net increase in cash and cash equivalents	38,267	3,023
Cash and cash equivalents at beginning of period	89,332	73,071
Cash and cash equivalents at end of period	$ 128,378	$ 76,094
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest, net of capitalized interest	$ 105,469	$ 114,856
Non-cash transactions:		
Acquisition of properties	$ 188,384	$ 246,081
Assumption of debt	(7,676)	(22,187)
Acquisition capital	(4,210)	(7,044)
Net cash paid	$ 176,498	$ 216,850

The accompanying notes are an integral part of these consolidated financial statements.

AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the nine months ended September 30, 2003

	Series A Preferred Stock	Series L Preferred Stock	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	(Unaudited, dollars in thousands)							
Balance as of December 31, 2002	$ 95,994	$ —	82,029,449	$ 820	1,580,733	$ 6,572	$ 31	$1,684,150
Net income	4,903	885	—	—	—	94,998	—	
Unrealized gain on securities	—	—	—	—	—	—	680	
Currency translation adjustment	—	—	—	—	—	—	305	
Total comprehensive income								101,771
Issuance of preferred stock, net	—	48,221	—	—	—	—	—	48,221
Issuance of restricted stock, net	—	—	246,968	3	6,696	—	—	6,699
Issuance of stock options, net	—	—	—	—	4,509	—	—	4,509
Exercise of stock options	—	—	216,056	2	4,772	—	—	4,774
Conversion of partnership units	—	—	2,000	—	58	—	—	58
Retirement of stock	(95,994)	—	(812,900)	(8)	(21,231)	—	—	(117,233)
Stock-based deferred compensation	—	—	—	—	(11,205)	—	—	(11,205)
Stock-based compensation amortization	—	—	—	—	6,000	—	—	6,000
Reallocation of partnership interest	—	—	—	—	(4,503)	—	—	(4,503)
Dividends	(4,903)	(885)	—	—	(1,739)	(101,570)	—	(109,097)
Balance as of September 30, 2003	$ —	$ 48,221	81,681,573	$ 817	$1,564,090	$ —	$ 1,016	$1,614,144

The accompanying notes are an integral part of these consolidated financial statements.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003
(unaudited)

1. Organization and Formation of the Company

AMB Property Corporation, a Maryland corporation (the "Company"), commenced operations as a fully integrated real estate company effective with the completion of its initial public offering on November 26, 1997. The Company elected to be taxed as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986 (the "Code"), commencing with its taxable year ended December 31, 1997, and believes its current organization and method of operation will enable it to maintain its status as a real estate investment trust. The Company, through its controlling interest in its subsidiary, AMB Property, L.P., a Delaware limited partnership (the "Operating Partnership"), is engaged in the acquisition, ownership, operation, management, renovation, expansion and development of primarily industrial properties in key distribution markets throughout North America, Europe and Asia. Unless the context otherwise requires, the "Company" means AMB Property Corporation, the Operating Partnership and their other controlled subsidiaries.

As of September 30, 2003, the Company owned an approximate 94.6% general partnership interest in the Operating Partnership, excluding preferred units. The remaining 5.4% limited partnership interests are owned by non-affiliated investors and certain current and former directors and officers of the Company. For local law purposes, certain properties are owned through limited partnerships and limited liability companies. The ownership of such properties through such entities does not materially affect the Company's overall ownership interests in the properties. As the sole general partner of the Operating Partnership, the Company has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership. Net operating results of the Operating Partnership are allocated after preferred unit distributions based on the respective partners' ownership interests.

Through the Operating Partnership, the Company enters into co-investment joint ventures with institutional investors. These co-investment joint ventures provide the Company with an additional source of capital and income. As of September 30, 2003, the Company had investments in five co-investment joint ventures, which are consolidated for financial reporting purposes.

AMB Capital Partners, LLC, a Delaware limited liability company ("AMB Capital Partners"), provides real estate investment services to clients and co-investment joint venture clients on a fee basis. Headlands Realty Corporation, a Maryland corporation, conducts a variety of businesses that include incremental income programs and development projects available for sale to third parties. IMD Holding Corporation, a Delaware corporation, also conducts a variety of businesses that include development projects available for sale to third parties. AMB Capital Partners, Headlands Realty Corporation and IMD Holding Corporation are wholly-owned subsidiaries of the Company.

As of September 30, 2003, the Company owned 896 operating industrial buildings and seven retail and other properties, located in 27 markets throughout North America and France. The Company's strategy is to become a leading provider of distribution properties in supply-constrained submarkets located near key international passenger and cargo airports, highway systems and seaports in major metropolitan areas of North America, Europe and Asia. These markets are generally tied to global trade. As of September 30, 2003, the industrial buildings, principally warehouse distribution buildings, encompassed approximately 83.3 million rentable square feet and were 92.0% leased. As of September 30, 2003, the retail centers, principally grocer-anchored community shopping centers, encompassed approximately 0.5 million rentable square feet and were 77.0% leased to 56 customers.

As of September 30, 2003, through AMB Capital Partners, the Company also managed, but did not have an ownership interest in, industrial, retail and other properties, totaling approximately 0.5 million rentable square feet. In addition, the Company had investments in industrial operating properties, totaling approxi-

mately 7.9 million rentable square feet, through unconsolidated joint ventures. As of September 30, 2003, the Company also had investments in industrial development projects, some of which were held for sale, totaling approximately 4.7 million square feet.

2. Interim Financial Statements

The consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and note disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the Unites States of America have been condensed or omitted.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, of a normal recurring nature, necessary for a fair presentation of the Company's consolidated financial position and results of operations for the interim periods. The interim results for the three and nine months ended September 30, 2003, are not necessarily indicative of future results. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments in Real Estate. Investments in real estate and leasehold interests are stated at cost unless circumstances indicate that cost cannot be recovered, in which case, the carrying value of the property is reduced to estimated fair value. Carrying values for financial reporting purposes are reviewed for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of a property may not be recoverable. Impairment is recognized when estimated expected future cash flows (undiscounted and without interest charges) are less than the carrying value of the property. The estimation of expected future net cash flows is inherently uncertain and relies on assumptions regarding current and future economics and market conditions and the availability of capital. If impairment analysis assumptions change, then an adjustment to the carrying value of the Company's long-lived assets could occur in the future period in which the assumptions change. To the extent that a property is impaired, the excess of the carrying amount of the property over its estimated fair value is charged to earnings. As a result of recent leasing activity and the current economic environment, the Company re-evaluated the carrying value of its investments and recorded an impairment charge of $5.2 million during the nine months ended September 30, 2003. The Company believes that there are no additional impairments of the carrying values of its investments in real estate as of September 30, 2003. Also during the nine months ended September 30, 2003, the Company recorded a reduction of depreciation expense of $2.1 million to reflect the recovery, through the settlement of a lawsuit, of capital expenditures paid in prior years.

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 141, *Business Combinations.* SFAS No. 141 requires the Company to record at acquisition an intangible asset or liability for the value attributable to above or below-market leases, in-place leases and lease origination costs. The requirements are applicable to all acquisitions subsequent to July 1, 2001. The adoption of SFAS No. 141 did not have a material impact on the Company's financial position or results of operations.

Reclassifications. Certain items in the consolidated financial statements for prior periods have been reclassified to conform to current classifications.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Comprehensive Income. The Company reports comprehensive income in its Statement of Stockholders' Equity. Comprehensive income was $24.1 million and $27.1 million for the three months ended September 30, 2003 and 2002, respectively. Comprehensive income was $101.8 million and $86.2 million for the nine months ended September 30, 2003 and 2002, respectively.

Financial Instruments. The Company adopted SFAS No. 133, *Accounting for Derivative Instruments and for Hedging Activities*, as amended, on January 1, 2001. SFAS No. 133 provides comprehensive guidelines for the recognition and measurement of derivatives and hedging activities and, specifically, requires all derivatives to be recorded on the balance sheet at fair value as an asset or liability, with an offset to accumulated other comprehensive income or income. For revenues or expenses denominated in non-functional currencies, the Company may use derivative financial instruments to manage foreign currency exchange rate risk. The Company's derivative financial instruments in effect at September 30, 2003 were a forward contract hedging against adverse foreign exchange fluctuations in the Mexican peso against the U.S. dollar and stock warrants obtained from tenants.

Foreign Operations. The U.S. dollar is the functional currency for the Company's subsidiaries operating in the United States and Mexico. The functional currency for the Company's subsidiaries operating outside North America is generally the local currency of the country in which the entity is located. The Company's subsidiaries whose functional currency is not the U.S. dollar translate their financial statements into U.S. dollars. Assets and liabilities are translated at the exchange rate in effect as of the financial statement date. The Company translates income statement accounts using the average exchange rate for the period and significant nonrecurring transactions using the rate on the transaction date. Gains and losses resulting from the translation are included in accumulated other comprehensive income as a separate component of stockholders' equity.

The Company's foreign subsidiaries may have transactions denominated in currencies other than their functional currency. In these instances, non-monetary assets and liabilities are reflected at the historical exchange rate, monetary assets and liabilities are remeasured at the exchange rate in effect at the end of the period and income statement accounts are remeasured at the average exchange rate for the period. Gains and losses from remeasurement are generally included in the Company's results of operations.

The Company also records gains or losses in the income statement when a transaction with a third party, denominated in a currency other than the entity's functional currency, is settled and the functional currency cash flows realized are more or less than expected based upon the exchange rate in effect when the transaction was initiated.

Stock-based compensation expense. In 2002, the Company adopted the expense recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*. The Company values stock options using the Black-Scholes option-pricing model and recognizes this value as an expense over the period in which the options vest. Under this standard, recognition of expense for stock options is applied to all options granted after the beginning of the year of adoption. Prior to 2002, the Company followed the intrinsic method set forth in APB Opinion 25, *Accounting for Stock Issued to Employees*. The Company awards stock options to its employees. In accordance with SFAS No. 123, the Company will recognize the associated expense over the three to five-year vesting periods. Related stock-based compensation expense was $0.6 million and $0.3 million for the three months ended September 30, 2003 and 2002, respectively, and $1.8 million and $0.7 million for the nine months ended September 30, 2003 and 2002, respectively. The expense is included in general and administrative expenses in the accompanying consolidated statements of operations. The adoption of SFAS No. 123 is prospective and the 2002 expense relates only to stock options granted in 2002.

New Accounting Pronouncements. In July 2003, the SEC announced that it had revised it position relating to the application of Emerging Issues Task Force Topic No. D-42, *The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock* ("Topic D-42"). As a

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

result of this announcement, original issuance costs related to preferred equity are to be reflected as a reduction of income available to common stockholders in determining earnings per share for the period in which the preferred equity is redeemed. The announcement requires retroactive application of the revised position in previously issued financial statements. As a result, the Company's financial statements for the year ending December 31, 2001, to be included in its annual report on Form 10-K for the year ending December 31, 2003, will be restated to reflect a reduction in income available to common stockholders of $3.2 million, representing the original issuance costs of AMB Property II, L.P.'s series C preferred units, which were redeemed in December 2001. Restated diluted earnings per share for the year ended December 31, 2001, will be $1.43 compared to $1.47 as previously reported. The SEC's revised position on Topic D-42 does not require the Company to file amendments to previously filed reports and will not impact any other previously reported periods. On July 28, 2003, the Company redeemed all 3,995,800 shares of its 8.5% Series A Cumulative Redeemable Preferred Stock and recognized a reduction of income available to common stockholders of $3.7 million for the original issuance costs.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). FIN 45 requires disclosure of off-balance sheet transactions, arrangements, obligations, guarantees or other relationships with unconsolidated entities or other persons that have, or are reasonably likely to have, a material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. The consolidation requirements apply to existing entities in the first fiscal year or interim period ending after December 15, 2003. The Company will adopt the consolidation requirements of FIN 46 in the fourth quarter of 2003 and does not believe that any of its consolidated or unconsolidated joint ventures are variable interest entities under the provisions of FIN 46.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities* ("SFAS 149"). This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The Company adopted the requirements of SFAS 149 in the third quarter of 2003, and it did not impact its financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS 150"). This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). The minority interests associated with certain of the Company's consolidated joint ventures, those that have finite lives under the terms of the partnership agreements, represent mandatorily redeemable interests as defined in SFAS 150. As of September 30, 2003, the aggregate book value of these minority interests in the accompanying consolidated balance sheet was $644.4 million and the Company believes that the aggregate settlement value of these interests was approximately $661.0 million. This amount is based on the estimated liquidation values of the assets and liabilities and the resulting proceeds that the Company would distribute to its joint venture partners upon dissolution, as required under the terms of the respective partnership agreements. Subsequent changes to the estimated fair values of the assets and liabilities of the consolidated joint ventures will affect the Company's estimate of the aggregate settlement value. The

partnership agreements do not limit the amount that the minority partners would be entitled to in the event of liquidation of the assets and liabilities and dissolution of the respective partnerships. SFAS 150 was effective beginning in the third quarter of 2003, however the FASB deferred the implementation of SFAS 150 as it applied to certain minority interests in finite-lived entities. The Company adopted the requirements of SFAS 150 in the third quarter of 2003, and, considering the aforementioned deferral, there was no impact on the Company's financial position, results of operations or cash flows.

3. Real Estate Acquisition and Development Activity

During the three months ended September 30, 2003, the Company invested $57.4 million in 13 industrial buildings, aggregating approximately 0.8 million square feet, of which the Company invested $27.3 million in six industrial buildings, aggregating approximately 0.5 million square feet through two of the Company's co-investment joint ventures. During the nine months ended September 30, 2003, the Company invested $188.4 million in 31 industrial buildings, aggregating approximately 3.2 million square feet, of which the Company invested $154.6 million in 23 industrial buildings, aggregating approximately 2.8 million square feet through two of the Company's co-investment joint ventures. During the quarter ended September 30, 2002, the Company invested $89.2 million in eight industrial buildings, aggregating approximately 1.4 million square feet. During the nine months ended September 30, 2002, the Company invested $246.1 million in 33 industrial buildings, aggregating approximately 4.1 million square feet.

During the three months ended September 30, 2003, the Company completed three industrial building projects valued at $21.5 million, aggregating approximately 0.4 million square feet. The Company also initiated two new industrial projects valued at $67.5 million, aggregating approximately 1.6 million square feet. As of September 30, 2003, the Company had in its development pipeline: (1) 15 industrial projects, which will total approximately 4.0 million square feet and will have an aggregate estimated investment of $207.5 million upon completion and (2) four development projects available for sale, which will total approximately 0.6 million square feet and will have an aggregate estimated investment of $41.6 million upon completion. As of September 30, 2003, the Company and its Development Alliance Partners had funded an aggregate of $119.5 million and needed to fund an estimated additional $129.6 million in order to complete current and planned projects. The Company's development pipeline includes projects expected to be completed through the third quarter of 2005.

4. Gains from Dispositions of Real Estate, Merchant Development Sales, and Discontinued Operations

Gains from Dispositions of Real Estate. On February 19, 2003, the Company contributed $94.0 million in operating properties, consisting of 24 industrial buildings, aggregating approximately 2.4 million square feet, to its newly formed unconsolidated joint venture, Industrial Fund I, LLC. The Company recognized a gain of $7.4 million on the contribution, representing the portion of the contributed properties acquired by the third-party investors. During the nine months ended September 30, 2002, the Company divested itself of two industrial buildings and one retail center, aggregating approximately 0.8 million square feet, for an aggregate price of $50.6 million, with a resulting loss of $0.8 million. In June 2002, the Company also contributed $76.9 million in operating properties, consisting of 15 industrial buildings, aggregating approximately 1.9 million square feet, to its consolidated co-investment joint venture, AMB-SGP, LP. The Company recognized a gain of $3.3 million on the contribution, representing the portion of the contributed properties acquired by the third-party investors.

Merchant Development Sales. During the three and nine months ended September 30, 2003, the Company sold three development-for-sale projects, aggregating approximately 0.2 million square feet, for an aggregate price of $32.1 million, with a resulting net gain of $2.2 million. During the three and nine months ended September 30, 2002, the Company sold five development-for-sale projects, aggregating approximately 0.1 million square feet, for an aggregate price of $11.1 million, with a resulting net gain of $0.6 million.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Property Divestitures. During the three months ended September 30, 2003, the Company divested itself of nine industrial buildings and one retail center, aggregating approximately 0.8 million square feet, for an aggregate price of $102.2 million, with a resulting net gain of $7.9 million. During the nine months ended September 30, 2003, the Company divested itself of 21 industrial buildings and one retail center, aggregating approximately 2.6 million square feet, for an aggregate price of $244.3 million, with a resulting net gain of $39.5 million. During the three and nine months ended September 30, 2002, the Company divested itself of five industrial buildings and one retail center, aggregating approximately 0.6 million square feet, for an aggregate price of $33.6 million, with a resulting net gain of $3.7 million. The Company reported the divestitures as discontinued operations separately as prescribed under the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Beginning in 2002, SFAS No. 144 requires the Company to separately report as discontinued operations the historical operating results attributable to operating properties sold and the applicable gain or loss on the disposition of the properties. Although the application of SAFS No. 144 may affect the presentation of the Company's results of operations for the periods that it has already reported in filings with the Securities and Exchange Commission, there will be no effect on our previously reported financial position, net income or cash flows.

Properties Held for Divestiture. As of September 30, 2003, the Company had decided to divest itself of three industrial buildings and one retail center with a net book value of $20.5 million. The properties either are not in the Company's core markets or do not meet its current strategic objectives. The divestitures of the properties are subject to negotiation of acceptable terms and other customary conditions. Properties held for divestiture are stated at the lower of cost or estimated fair value less costs to sell. The following summarizes the condensed results of operations of the properties held for divestiture and sold under SFAS No. 144 for the three and nine months ended September 30, (dollars in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
Rental revenues	$ 2,973	$ 11,231	$11,436	$34,285
Straight-line rents	51	645	122	1,661
Property operating expenses	(456)	(1,586)	(2,005)	(4,309)
Real estate taxes	(347)	(1,557)	(1,377)	(5,059)
Interest, including amortization	(171)	(1,248)	(2,019)	(3,415)
Depreciation and amortization	(339)	(2,378)	(1,910)	(6,821)
Joint venture partners' share of income	(835)	(698)	(913)	(1,760)
Limited partnership unitholders' share of income	(48)	(242)	(183)	(802)
Income attributable to discontinued operations	$ 828	$ 4,167	$ 3,151	$13,780

As of September 30, 2003 and December 31, 2002, assets and liabilities of properties held for divestiture under the provisions of SFAS No. 144 consisted of the following (dollars in thousands):

	September 30, 2003	December 31, 2002
Accounts receivable, net	$ 397	$ 552
Other assets	$ 10	$ 2
Secured debt	$ —	$ —
Accounts payable and other liabilities	$ 420	$ 1,034

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Mortgage Receivable

Through a wholly-owned subsidiary, the Company holds a mortgage loan receivable on AMB Pier One, LLC, an unconsolidated joint venture. The note bears interest at 13.0% and matures in May 2026. As of September 30, 2003, the outstanding balance on the note was $13.1 million.

6. Debt

As of September 30, 2003, and December 31, 2002, debt consisted of the following (dollars in thousands):

	September 30, 2003	December 31, 2002
Company secured debt, varying interest rates from 4.0% to 10.4%, due December 2003 to January 2014 (weighted average interest rate of 8.1% at September 30, 2003 and December 31, 2002)	$ 310,774	$ 381,764
Joint venture secured debt, varying interest rates from 2.6% to 12.0%, due July 2004 to June 2023 (weighted average interest rate of 6.7% and 7.0% at September 30, 2003, and December 31, 2002, respectively)	993,237	893,093
Unsecured senior debt securities, varying interest rates from 5.9% to 8.0%, (weighted average interest rate of 7.2% at September 30, 2003, and December 31, 2002) due June 2005 to June 2018	800,000	800,000
Alliance Fund II credit facility	—	45,500
Unsecured debt, interest rate of 7.5%, due June 2013 and November 2015	9,772	10,186
Unsecured credit facility, variable interest at LIBOR or EURIBOR plus 60 basis points (weighted average interest rate of 2.2% and 2.0% at September 30, 2003 and December 31, 2002, respectively), due December 2005	91,335	95,000
Total debt before unamortized premiums	2,205,118	2,225,543
Unamortized premiums	8,094	9,818
Total consolidated debt	$2,213,212	$2,235,361

Secured debt generally requires monthly principal and interest payments. The secured debt is secured by deeds of trust on certain properties and is generally non-recourse. As of September 30, 2003 and December 31, 2002, the total gross investment book value of those properties securing the debt was $2.4 billion and $2.6 billion, respectively, including $1.7 billion and $1.6 billion, respectively, in consolidated joint ventures. All of the secured debt bears interest at fixed rates, except for four loans with an aggregate principal amount of $30.9 million as of September 30, 2003, which bear interest at variable rates (weighted average interest rate of 3.6% as of September 30, 2003). The secured debt has various covenants. Management believes that the Company and the Operating Partnership were in compliance with their financial covenants as of September 30, 2003. As of September 30, 2003, the Company had 34 non-recourse secured loans, which are cross-collateralized by 72 properties, totaling $820.5 million (not including unamortized debt premiums).

In June 1998, the Company issued $400.0 million of unsecured senior debt securities. Interest on the unsecured senior debt securities is payable semi-annually. The 2015 notes are putable and callable in September 2005. The senior debt securities are subject to various covenants. Management believes that the Company and the Operating Partnership were in compliance with their financial covenants as of September 30, 2003. In August 2000, the Operating Partnership commenced a medium-term note program and

subsequently issued $400.0 million of medium-term notes, which are guaranteed by the Company. In May 2002, the Operating Partnership commenced a new medium-term note program for the issuance of up to $400.0 million in principal amount of medium-term notes (unsecured senior debt securities), which will be guaranteed by the Company. As of September 30, 2003, the Operating Partnership had issued no medium-term notes under this program.

In December 2002, the Operating Partnership renewed its $500.0 million unsecured revolving line of credit. The Company guarantees the Operating Partnership's obligations under the credit facility. The credit facility matures in December 2005, has a one-year extension option and currently is subject to a 20 basis point annual facility fee. Borrowings under the credit facility currently bear interest at LIBOR plus 60 basis points. Euro borrowings under the credit facility currently bear interest at EURIBOR plus 60 basis points. Yen borrowings under the credit facility currently bear interest at the Japan LIBOR fixing plus 60 basis points. Both the facility fee and the interest rate are based on the Operating Partnership's credit rating, which is currently investment grade. The credit facility includes a multi-currency component, which was amended effective July 10, 2003 to increase from $150.0 million to $250.0 million the amount that may be drawn in either British pounds sterling, Euros or Yen (provided that such currency is readily available and freely transferable and convertible to U.S. dollars, the Reuters Monitor Money Rates Service reports LIBOR for such currency in interest periods of 1, 2, 3 or 6 months and the Operating Partnership has an investment grade credit rating). The Operating Partnership has the ability to increase available borrowings to $700.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase their commitments. The Company uses its unsecured credit facility principally for acquisitions and for general working capital requirements. Monthly debt service payments on the credit facility are interest only. The total amount available under the credit facility fluctuates based upon the borrowing base, as defined in the agreement governing the credit facility, generally the value of the Company's unencumbered properties. As of September 30, 2003, the outstanding balance on the credit facility was $91.3 million and the remaining amount available was $371.5 million, net of outstanding letters of credit (excluding the additional $200.0 million of potential additional capacity). The outstanding balance included borrowing denominated in Euros and Yen converted to U.S. dollars at September 30, 2003. The credit facility has various covenants. Management believes that the Company and the Operating Partnership were in compliance with their financial covenants at September 30, 2003.

In August 2001, AMB Institutional Alliance Fund II, L.P. ("Alliance Fund II") obtained a $150.0 million credit facility secured by the unfunded capital commitments of the investors in AMB Institutional Alliance REIT II, Inc. ("Alliance REIT II") and the Alliance Fund II. In April 2003, the Alliance Fund II repaid the credit facility with capital contributions and secured debt financing proceeds and terminated the credit facility.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of September 30, 2003, the scheduled maturities of the Company's total debt, excluding unamortized debt premiums, were as follows (dollars in thousands):

	Company Secured Debt	Joint Venture Debt	Unsecured Senior Debt Securities	Unsecured Debt	Credit Facilities	Total
2003	$ 18,587	$ 6,174	$ —	$ 143	$ —	$ 24,904
2004	62,516	37,920	—	601	—	101,037
2005	44,427	61,181	250,000	647	91,335	447,590
2006	82,693	60,570	25,000	698	—	168,961
2007	14,495	49,416	75,000	752	—	139,663
2008	31,665	161,350	175,000	810	—	368,825
2009	4,147	82,875	—	873	—	87,895
2010	50,948	123,571	75,000	941	—	250,460
2011	409	241,374	75,000	1,014	—	317,797
2012	407	146,542	—	1,093	—	148,042
Thereafter	480	22,264	125,000	2,200	—	149,944
Total	$310,774	$993,237	$800,000	$ 9,772	$91,335	$2,205,118

7. Minority Interests in Consolidated Joint Ventures and Preferred Units

Minority interests in the Company represent the limited partnership interests in the Operating Partnership and interests held by certain third parties in several real estate joint ventures, aggregating approximately 36.5 million square feet, which are consolidated for financial reporting purposes. Such investments are consolidated because the Company owns a majority interest or exercises significant control over major operating decisions such as approval of budgets, selection of property managers, asset management, investment activity and changes in financing.

Through the Operating Partnership, the Company enters into co-investment joint ventures with institutional investors. The Company's five co-investment joint ventures are engaged in the acquisition, ownership, operation, management and, in some cases, the renovation, expansion and development, of industrial buildings in target markets nationwide.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company's co-investment joint ventures at September 30, 2003 (dollars in thousands) were:

Co-investment Joint Venture	Joint Venture Partner	Company's Ownership Percentage	Total Capitalization(1)
AMB/Erie, L.P.	Erie Insurance Company and affiliates	50%	$ 151,639
AMB Institutional Alliance Fund I, L.P.	AMB Institutional Alliance REIT I, Inc.(2)	21%	396,685
AMB Partners II, L.P.	City and County of San Francisco Employees' Retirement System	20%	376,802
AMB-SGP, L.P.	Industrial JV Pte Ltd.(3)	50%	367,005
AMB Institutional Alliance Fund II, L.P.	AMB Institutional Alliance REIT II, Inc.(4)	20%	444,111
AMB-AMS, L.P.(5)	BPMT and TNO	39%	—
Total			$ 1,736,242

(1) Includes total equity and debt.

(2) Included 15 institutional investors as stockholders as of September 30, 2003.

(3) A subsidiary of the real estate investment subsidiary of the Government of Singapore Investment Corporation.

(4) Included 13 institutional investors as stockholders and one third-party limited partner as of September 30, 2003.

(5) AMB-AMS, L.P. is a commitment to form a co-investment partnership with two Dutch pension funds advised by Mn Services NV.

On July 14, 2003, AMB Property II, L.P., one of the Company's subsidiaries, repurchased 66,300 of its outstanding 7.95% Series F Cumulative Redeemable Preferred Limited Partnership Units from a single institutional investor. AMB Property II, L.P. redeemed the units for an aggregate cost of $3.3 million, including accrued and unpaid dividends.

Table of Contents

The following table distinguishes the minority interest liability as of September 30, 2003 and December 31, 2002 (dollars in thousands):

	September 30, 2003	December 31, 2002
Joint venture partners	$ 644,413	$ 488,524
Limited Partners in the Operating Partnership	88,553	94,374
Series B preferred units (liquidation preference of $65,000)	63,289	63,288
Series J preferred units (liquidation preference of $40,000)	38,883	38,883
Series K preferred units (liquidation preference of $40,000)	38,932	38,932
Held through AMB Property II, L.P.:		
Series D preferred units (liquidation preference of $79,767)	77,684	77,684
Series E preferred units (liquidation preference of $11,022)	10,788	10,788
Series F preferred units (liquidation preference of $10,057)	9,909	13,082
Series H preferred units (liquidation preference of $42,000)	40,912	40,912
Series I preferred units (liquidation preference of $25,500)	24,800	24,800
Total minority interests	$ 1,038,163	$ 891,267

The following table distinguishes the minority interests' share of income, excluding minority interests share of gains from dispositions of real estate (dollars in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
Joint Venture Partners	$ 9,809	$ 8,771	$26,410	$23,104
Limited Partners in the Operating Partnership	740	942	3,093	3,622
Series B preferred units (liquidation preference of $65,000)	1,402	1,402	4,205	4,205
Series J preferred units (liquidation preference of $40,000)	795	795	2,385	2,508
Series K preferred units (liquidation preference of $40,000)	795	795	2,385	1,572
Held through AMB Property II, L.P.:				
Series D preferred units (liquidation preference of $79,767)	1,545	1,545	4,636	4,636
Series E preferred units (liquidation preference of $11,022)	214	214	641	641
Series F preferred units (liquidation preference of $10,057)	200(1)	286	732	1,076
Series G preferred units (repurchased in July 2002)	—	3	—	43
Series H preferred units (liquidation preference of $42,000)	853	853	2,559	2,559
Series I preferred units (liquidation preference of $25,500)	510	510	1,530	1,530
Total minority interests' share of net income	$16,863	$16,116	$48,576	$45,496

(1) On July 14, 2003, AMB Property II, L.P., one of the Company's subsidiaries, repurchased 66,300 of its outstanding 7.95% Series F preferred units.

8. Investments in Unconsolidated Joint Ventures

The Company's unconsolidated joint ventures at September 30, 2003 (dollars in thousands) were:

Co-investment Joint Venture	Joint Venture Partner	Square Feet	Company's Ownership Percentage	Net Equity Investment
Elk Grove Du Page	Hamilton Partners	4,046,721	56%	$31,986
Pico Rivera	Majestic Realty	855,600	50%	1,252
Monte Vista Spectrum	Majestic Realty	576,852	50%	603
Industrial Fund I, LLC	Citigroup Alternative Investments	2,446,334	15%	4,218
Sterling Distribution Center(1)	Majestic Realty	1,000,000	50%	16,110
Airport Logistics Park of Singapore(1)	Boustead Projects	233,773	50%	1,990
Total investment in unconsolidated JVs		9,159,280		$56,159

(1) This is a development alliance joint venture

On February 19, 2003, the Company formed Industrial Fund I, LLC, a joint venture with Citigroup Global Investments Real Estate LP, LLC, a Delaware limited liability company, and certain of its private investor clients. The Company contributed $94.0 million in operating properties, consisting of 24 industrial buildings, aggregating approximately 2.4 million square feet, to Industrial Fund I, LLC in which it retained a 15% interest. The Company recognized a gain of $7.4 million on the contribution, representing the gain on the contributed properties acquired by the third-party investors.

Under the agreements governing the joint ventures, the Company and the other parties to the joint venture may be required to make additional capital contributions and, subject to certain limitations, the joint ventures may incur additional debt. As of September 30, 2003, the Company's share of unconsolidated joint venture debt was $66.0 million.

The Company also has a 0.1% unconsolidated equity interest (with an approximate 33% economic interest) in AMB Pier One, LLC, a joint venture to redevelop the Company's office space in San Francisco. The investment is not consolidated because the Company does not own a majority interest and does not exercise significant control over major operating decisions such as approval of budgets, selection of property managers, investment activity and changes in financing. The Company has an option to purchase the remaining equity interest beginning January 1, 2007, and expiring December 31, 2009, based on the fair market value as stipulated in the operating agreement.

9. Stockholders' Equity

Holders of common limited partnership units of the Operating Partnership have the right, commencing generally on or after the first anniversary of the holder becoming a limited partner of the Operating Partnership (or such other date agreed to by the Operating Partnership and the applicable unit holders), to require the Operating Partnership to redeem part or all of their common units for cash (based upon the fair market value, as defined in the partnership agreement, of an equivalent number of shares of common stock at the time of redemption) or the Operating Partnership may, in its sole and absolute discretion (subject to the limits on ownership and transfer of common stock set forth in the Company's charter), elect to have the Company exchange those common units for shares of the Company's common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of certain rights, certain extraordinary distributions and similar events. With each redemption or exchange, the Company's percentage

ownership in the Operating Partnership will increase. Common limited partners may exercise this redemption right from time to time, in whole or in part, subject to the limitations that limited partners may not exercise this right if such exercise would result in any person actually or constructively owning shares of common stock in excess of the ownership limit or any other amount specified by the board of directors, assuming common stock was issued in the exchange. On April 16, 2003, the Operating Partnership redeemed 11,524 of its common limited partnership units for cash. On July 25, 2003, the Operating Partnership redeemed 214,621 of its common limited partnership units for cash. On September 10, 2003, the Operating Partnership redeemed 2,000 of its common limited partnership units for shares of the Company's common stock.

In December 2001, the Company's board of directors approved a new stock repurchase program for the repurchase of up to $100.0 million worth of common and preferred stock. In December 2002, the Company's board of directors increased the repurchase program to $200.0 million. The new stock repurchase program expires in December 2003 and, as of September 30, 2003, $109.3 million of repurchase capacity remained under the Company's stock repurchase program. In January 2003, the Company repurchased and retired 787,800 shares of its common stock for an aggregate purchase price of $20.6 million, including commissions. In July 2003, the Company repurchased and retired 25,100 shares of its common stock for an aggregate purchase price of $0.7 million, including commissions.

On June 23, 2003, the Company issued and sold 2,000,000 shares of 6.5% Series L Cumulative Redeemable Preferred Stock at a price of $25.00 per share. Dividends are cumulative from the date of issuance and payable quarterly in arrears at a rate per share equal to $1.625 per annum. The series L preferred stock is redeemable by the Company on or after June 23, 2008, subject to certain conditions, for cash at a redemption price equal to $25.00 per share, plus accumulated and unpaid dividends thereon, if any, to the redemption date. The Company contributed the net proceeds of $48.4 million to the Operating Partnership, and in exchange, the Operating Partnership issued to the Company 2,000,000 6.5% Series L Cumulative Redeemable Preferred Units. The Operating Partnership used the proceeds, in addition to proceeds previously contributed to the Operating Partnership from other equity issuances, to redeem all 3,995,800 shares of its 8.5% Series A Cumulative Redeemable Preferred Units from the Company on July 28, 2003. The Company, in turn, used those proceeds to redeem all 3,995,800 shares of its 8.5% Series A Cumulative Redeemable Preferred Stock for $100.2 million, including accumulated and unpaid dividends through the redemption date. During the three months ended September 30, 2003, the Company recognized a reduction of income available to common stockholders of $3.7 million for the original preferred stock issuance costs.

The Company has authorized 100,000,000 shares of preferred stock for issuance, of which the following series were designated as of September 30, 2003: 1,300,000 shares of Series B preferred; 1,595,337 shares of Series D preferred; 220,440 shares of Series E preferred; 267,439 shares of Series F preferred; 840,000 shares of Series H preferred; 510,000 shares of Series I preferred; 800,000 shares of Series J preferred; 800,000 shares

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

of Series K preferred; and 2,300,000 shares of Series L preferred. The following table sets forth the dividends and distributions paid per share or unit:

		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Paying Entity	Security	2003	2002	2003	2002
Company	Common stock	$0.415	$0.410	$ 1.245	$ 1.230
Company	Series A preferred stock	$0.083	$0.531	$ 1.145	$ 1.593
Company	Series L preferred stock	$0.406	$0.000	$ 0.442	$ 0.000
Operating Partnership	Common limited partnership units	$0.415	$0.410	$ 1.245	$ 1.230
Operating Partnership	Series A preferred units	$0.083	$0.531	$ 1.145	$ 1.593
Operating Partnership	Series B preferred units	$1.078	$1.078	$ 3.234	$ 3.234
Operating Partnership	Series J preferred units	$0.994	$0.994	$ 2.981	$ 2.981
Operating Partnership	Series K preferred units	$0.994	$0.994	$ 2.981	$ 1.966
Operating Partnership	Series L preferred units	$0.406	$0.000	$ 0.442	$ 0.000
AMB Property II, L.P.	Series D preferred units	$0.969	$0.969	$ 2.906	$ 2.906
AMB Property II, L.P.	Series E preferred units	$0.969	$0.969	$ 2.906	$ 2.906
AMB Property II, L.P.	Series F preferred units	$0.747(1)	$0.994	$ 2.735	$ 2.707
AMB Property II, L.P.	Series G preferred units	$0.000	$0.155	$ 0.000	$ 2.142
AMB Property II, L.P.	Series H preferred units	$1.016	$1.016	$ 3.047	$ 3.047
AMB Property II, L.P.	Series I preferred units	$1.000	$1.000	$ 3.000	$ 3.000

(1) On July 14, 2003, AMB Property II, L.P., one of the Company's subsidiaries, repurchased 66,300 of its 7.95% Series F Cumulative Redeemable Preferred Limited Partnership Units from a single institutional investor.

10. Income Per Share

The Company's only dilutive securities outstanding for the three and nine months ended September 30, 2003 and 2002, were stock options and restricted stock granted under its stock incentive plans. The effect on income per share was to increase weighted average shares outstanding. Such dilution was computed using the treasury stock method.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
WEIGHTED AVERAGE COMMON SHARES				
Basic	81,096,837	83,723,897	81,072,304	83,755,195
Stock options and restricted stock	1,623,293	1,803,932	1,467,496	1,605,015
Diluted weighted average common shares	82,720,130	85,527,829	82,539,800	85,360,210

11. Segment Information

The Company operates industrial and retail properties in North America and France and manages its business both by property type and by market. Industrial properties represent more than 98% of the Company's portfolio by rentable square feet and consist primarily of warehouse distribution facilities suitable

for single or multiple customers and are typically comprised of multiple buildings that are leased to customers engaged in various types of businesses. The Company's geographic markets for industrial properties are managed separately because each market requires different operating, pricing and leasing strategies. As of September 30, 2003, the Company operated retail properties in Southeast Florida, Atlanta, Chicago, the San Francisco Bay Area, Boston and Baltimore. The Company does not separately manage its retail operations by market. Retail properties are generally leased to one or more anchor customers, such as grocery and drug stores, and various retail businesses. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based upon property net operating income of the combined properties in each segment.

The industrial domestic target markets category includes Austin, Baltimore/ Washington D.C. and Boston. The industrial domestic non-target markets category captures all of the Company's other U.S. markets, except for those markets listed individually in the table. Summary information for the reportable segments is as follows (dollars in thousands):

	Rental Revenues		Property NOI(1)	
	For the Three Months Ended September 30,		For the Three Months Ended September 30,	
Segments	2003	2002	2003	2002
Industrial domestic hub and gateway markets:				
Atlanta	$ 7,490	$ 7,983	$ 6,132	$ 6,345
Chicago	10,825	11,326	7,162	7,782
Dallas/ Fort Worth	4,335	6,748	2,772	4,713
Los Angeles	23,260	19,656	18,536	15,454
Northern New Jersey/ New York	12,589	12,399	8,103	8,218
San Francisco Bay Area	24,448	30,406	19,135	24,950
Miami	8,069	8,362	5,930	6,074
Seattle	8,721	6,636	6,718	5,266
On-Tarmac	12,360	9,437	6,819	5,564
Total industrial domestic hub markets	112,097	112,953	81,307	84,366
Total industrial domestic target markets	25,250	26,576	18,209	19,258
Total industrial domestic non-target markets	7,046	11,267	5,119	8,037
International target markets	1,704	122	1,764	90
Straight-line rents	2,579	3,638	2,579	3,638
Total retail markets	2,587	4,246	1,462	2,641
Discontinued operations	(3,024)	(11,876)	(2,221)	(8,733)
Total	$148,239	$146,926	$108,219	$109,297

(1) Property net operating income (NOI) is defined as rental revenue, including reimbursements, less property operating expenses, which excludes depreciation, amortization, general and administrative expenses and interest expense. For a reconciliation of NOI to net income, see the table below.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Rental Revenues		Property NOI(1)	
	For the Nine Months Ended September 30,		For the Nine Months Ended September 30,	
Segments	2003	2002	2003	2002
Industrial domestic hub and gateway markets:				
Atlanta	$ 21,759	$ 22,712	$ 17,436	$ 17,971
Chicago	32,938	34,275	22,422	23,670
Dallas/ Fort Worth	12,599	19,994	8,229	14,195
Los Angeles	69,385	57,177	55,498	44,959
Northern New Jersey/ New York	39,440	34,407	25,980	22,858
San Francisco Bay Area	85,066	91,828	70,343	76,511
Miami	24,114	25,604	17,178	18,698
Seattle	22,268	18,667	17,427	14,893
On-Tarmac	35,521	19,300	19,400	11,142
Total industrial domestic hub markets	343,090	323,964	253,913	244,897
Total industrial domestic target markets	76,999	77,928	55,353	56,472
Total industrial domestic non-target markets	21,031	35,852	14,675	26,495
International target markets	4,097	122	3,608	90
Straight-line rents	6,832	10,385	6,832	10,385
Total retail markets	10,421	13,610	6,479	8,508
Discontinued operations	(11,558)	(35,946)	(8,176)	(26,578)
Total	$450,912	$425,915	$332,684	$320,269

(1) Property net operating income (NOI) is defined as rental revenue, including reimbursements, less property operating expenses, which excludes depreciation, amortization, general and administrative expenses and interest expense. For a reconciliation of NOI to net income, see the table below.

The Company considers NOI to be an appropriate supplemental performance measure because NOI reflects the operating performance of the Company's real estate portfolio on a segment basis and the Company uses NOI to make decisions about resource allocations and to assess regional property level performance. However, NOI should not be viewed as an alternative measure of the Company's financial performance since it does not reflect general and administrative expenses, interest expense, depreciation and amortization costs, capital expenditures and leasing costs, or trends in development and construction activities that could materially impact the Company's results from operations. Further, the Company's NOI may not be

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

comparable to that of other real estate investment trusts, as they may use different methodologies for calculating NOI. The following table is a reconciliation from NOI to reported net income:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
Property NOI	$108,219	$109,297	$ 332,684	$ 320,269
Private capital income	1,928	2,766	7,844	8,468
Depreciation and amortization	(32,584)	(31,446)	(99,269)	(88,650)
Impairment losses	—	—	(5,251)	—
General and administrative	(10,843)	(12,376)	(35,187)	(34,207)
Equity in earnings of unconsolidated joint ventures	1,365	1,322	4,222	4,443
Interest and other income	701	2,609	3,643	9,921
Gains from dispositions of real estate	—	—	7,429	2,480
Merchant development profits, net of minority interests and taxes	2,181	618	2,181	618
Interest, including amortization	(35,867)	(37,501)	(107,963)	(109,133)
Total minority interests’ share of income	(16,863)	(16,116)	(48,576)	(45,496)
Total discontinued operations	8,716	7,901	42,700	17,514
Net income	$ 26,953	$ 27,074	$ 104,457	$ 86,227

	Total Gross Investment as of	
	September 30, 2003	December 31, 2002
Industrial domestic hub and gateway markets:		
Atlanta	$ 267,070	$ 280,006
Chicago	370,080	356,985
Dallas/ Fort Worth	151,146	126,472
Los Angeles	745,690	741,601
Northern New Jersey/ New York	476,078	486,644
San Francisco Bay Area	852,262	797,692
Miami	326,164	302,691
Seattle	328,118	249,500
On-Tarmac	249,769	216,357
Total industrial domestic hub markets	3,766,377	3,557,948
Total industrial domestic target markets	756,304	777,541
Total industrial domestic non-target markets	265,304	323,431
International target markets	49,956	73,728
Total retail markets	47,603	60,844
Construction in progress	209,029	132,490
Total investments in properties	$ 5,094,573	$ 4,925,982

12. Commitments and Contingencies

Commitments

Lease Commitments. The Company holds: operating ground leases on land parcels at its on-tarmac facilities; leases on office spaces for corporate use; and a leasehold interest that it holds for investment purposes. The remaining lease terms are from one to 38 years.

Contingencies

Litigation. In the normal course of business, from time to time, the Company may be involved in legal actions relating to the ownership and operations of its properties. Management does not expect that the liabilities, if any, that may ultimately result from such legal actions will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

Environmental Matters. The Company monitors its properties for the presence of hazardous or toxic substances. The Company is not aware of any environmental liability with respect to the properties that would have a material adverse effect on the Company's business, assets or results of operations. However, there can be no assurance that such a material environmental liability does not exist. The existence of any such material environmental liability would have an adverse effect on the Company's results of operations and cash flow.

General Uninsured Losses. The Company carries property and rental loss, liability, flood, environmental and terrorism insurance. The Company believes that the policy terms and conditions, limits and deductibles are adequate and appropriate under the circumstances, given the relative risk of loss, the cost of such coverage and industry practice. In addition, certain of the Company's properties are located in areas that are subject to earthquake activity; therefore, the Company has obtained limited earthquake insurance on those properties. There are, however, certain types of extraordinary losses, such as those due to acts of war that may be either uninsurable or not economically insurable. Although we have obtained coverage for certain acts of terrorism, with policy specifications and insured limits that we believe are commercially reasonable, it is not certain that we will be able to collect under such policies. Should an uninsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from, a property.

Captive Insurance Company. The Company has responded to increasing costs and decreasing coverage availability in the insurance markets by obtaining higher-deductible property insurance from third-party insurers and by forming a wholly-owned captive insurance company, Arcata National Insurance Ltd. ("Arcata") in December 2001. Arcata provides insurance coverage for all or a portion of losses below the increased deductible under the Company's third-party policies. The Company capitalized Arcata in accordance with the applicable regulatory requirements. Arcata established annual premiums based on projections derived from the past loss experience at the Company's properties. Annually, the Company engages an independent third party to perform an actuarial estimate of future projected claims, related deductibles and projected expenses necessary to fund associated risk management programs. Premiums paid to Arcata may be adjusted based on this estimate. Premiums paid to Arcata have a retrospective component, so that if expenses, including losses and deductibles, are less than premiums collected, the excess may be returned to the property owners (and, in turn, as appropriate, to the customers) and conversely, subject to certain limitations, if expenses, including losses, are greater than premiums collected, an additional premium will be charged. As with all recoverable expenses, differences between estimated and actual insurance premiums will be recognized in the subsequent year. Through this structure, the Company believes that it has more comprehensive insurance coverage at an overall lower cost than would otherwise be available in the market.

13. Subsequent Events

On October 6, 2003, the Company entered into an Agreement of Sale with privately-held International Airport Centers L.L.C. and certain of its affiliated entities, pursuant to which, if fully consummated, it will

acquire a 3.4 million square foot portfolio consisting of 37 airfreight buildings located adjacent to seven international airports in the U.S. for approximately $481.0 million, including $119.0 million of assumed debt. Pursuant to the Agreement of Sale, the Company will acquire the buildings in separate tranches, as construction and certain other customary closing conditions, including acquiring the necessary consents, are met. On October 9, 2003, the Company closed on the first tranche, comprised of 25 industrial buildings located in Los Angeles, Seattle, Miami and Charlotte, aggregating approximately 1.6 million square feet, for approximately $167.0 million. The Company currently expects the balance of the portfolio to close in additional tranches totaling approximately $130.0 million by year-end 2003 and $184.0 million by the third quarter of 2004. A portion of the properties may be allocated to one or more of the Company's co-investment joint ventures.

On October 27, 2003, the Operating Partnership gave irrevocable notice that it will redeem all 1,300,000 of its outstanding 8 5/8% Series B Cumulative Redeemable Preferred Partnership Units on November 26, 2003, for an aggregate redemption price of $65.6 million.

On November 10, 2003, the Operating Partnership issued and sold $75.0 million of senior unsecured notes under its medium-term notes program to Teachers Insurance and Annuity Association of America. The Company guaranteed the notes, which mature on November 1, 2013, and bear interest at 5.53% per annum. The Operating Partnership intends to use the net proceeds for general purposes.

On November 6, 2003, the Company priced 2,000,000 shares of 6.75% Series M Cumulative Redeemable Preferred Stock at $25.00 per share. We also granted the underwriters an option to purchase up to 300,000 additional shares of series M preferred stock at $25.00 per share, which the underwriters exercised in full on November 12, 2003. The Company expects to issue and sell the 2,300,000 shares of series M preferred stock on November 25, 2003. Dividends will be cumulative from the date of issuance and payable quarterly in arrears at a rate per share equal to $1.6875 per annum. The Company will contribute the net proceeds to the Operating Partnership, and in exchange, the Operating Partnership will issue to the Company 2,300,000 6.75% Series M Cumulative Redeemable Preferred Units.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

You should read the following discussion and analysis of our consolidated financial condition and results of operations in conjunction with the notes to consolidated financial statements. Statements contained in this discussion that are not historical facts may be forward-looking statements. Such statements relate to our future performance and plans, results of operations, capital expenditures, acquisitions, and operating improvements and costs. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates" or "anticipates," or the negative of these words and phrases, or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Forward-looking statements involve numerous risks and uncertainties and you should not rely upon them as predictions of future events. There is no assurance that the events or circumstances reflected in forward-looking statements will occur or be achieved. Forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and we may not be able to realize them.

The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- *changes in general economic conditions or in the real estate sector;*
- *non-renewal of leases by customers or renewal at lower than expected rent;*
- *difficulties in identifying properties to acquire and in effecting acquisitions on advantageous terms and the failure of acquisitions to perform as we expect;*
- *risks and uncertainties affecting property development and renovation (including construction delays, cost overruns, our inability to obtain necessary permits and financing);*
- *a downturn in California's economy or real estate conditions;*
- *losses in excess of our insurance coverage;*
- *our failure to divest of properties on advantageous terms or to timely reinvest proceeds from any such divestitures;*
- *unknown liabilities acquired from our predecessors or in connection with acquired properties;*
- *risks of doing business internationally, including unfamiliarity with new markets and currency risks;*
- *risks associated with using debt to fund acquisitions and development, including re-financing risks;*
- *our failure to obtain necessary outside financing;*
- *changes in local, state and federal regulatory requirements;*
- *environmental uncertainties; and*
- *our failure to qualify and maintain our status as a real estate investment trust under the Internal Revenue Code of 1986.*

Our success also depends upon economic trends generally, various market conditions and fluctuation and those other risk factors discussed in the section entitled "Business Risks" in this report. We caution you not to place undue reliance on forward-looking statements, which reflect our analysis only and speak as of the date of this report or as of the dates indicated in the statements. We assume no obligation to update or supplement forward-looking statements.

Unless the context otherwise requires, the terms "we," "us" and "our" refer to AMB Property Corporation, AMB Property, L.P. and their other controlled subsidiaries, and the references to AMB Property Corporation include AMB Property, L.P. and their other controlled subsidiaries. The following marks are our registered trademarks: AMB®; Broker Alliance Partners®; Broker Alliance Program®; Customer Alliance Partners®; Customer Alliance Program®; Development Alliance Partners®; Development Alliance Program®; HTD®; High Throughput Distribution®; Institutional Alliance Partners®; Institutional Alliance Program®;

Management Alliance Partners®; Management Alliance Program®; Strategic Alliance Partners®; Strategic Alliance Programs®; UPREIT Alliance Partners®; and UPREIT Alliance Program®.

GENERAL

We commenced operations as a fully integrated real estate company effective with the completion of our initial public offering on November 26, 1997, and elected to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code of 1986 with our initial tax return for the year ended December 31, 1997. AMB Property Corporation and AMB Property, L.P. were formed shortly before the consummation of our initial public offering.

We generate revenue primarily from rent received from customers under long-term (generally three to ten years) operating leases at our properties, including reimbursements from customers for certain operating costs, and our private capital business. In addition, our growth is dependent on our ability to increase occupancy rates or increase rental rates at our properties and our ability to continue to acquire and develop additional properties. Our income would be adversely affected if a significant number of customers were unable to pay rent or if we were unable to rent our industrial space on favorable terms. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property. Although the weak economy has decreased customer demand for new space and has limited or in some cases lowered rent growth, many types of investors are acquiring industrial real estate. We have capitalized on this opportunity by accelerating the repositioning of our portfolio through the disposition of properties. While property dispositions result in reinvestment capacity and trigger gain/loss recognition, they also create near-term earnings dilution. However, we believe that, in the long-term, the repositioning of our portfolio will benefit our stockholders.

As the general partner of the operating partnership, we generally will be liable for all of the operating partnership's unsatisfied obligations other than non-recourse obligations, including the operating partnership's obligations as the general partner of the co-investment joint ventures. Any such liabilities could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Investments in Real Estate. Investments in real estate are stated at cost unless circumstances indicate that cost cannot be recovered, in which case, the carrying value of the property is reduced to estimated fair value. We also record at acquisition an intangible asset or liability for the value attributable to above or below-market leases, in-place leases and lease origination costs for all acquisitions subsequent to July 1, 2001. Carrying values for financial reporting purposes are reviewed for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of a property may not be recoverable. Impairment is recognized when estimated expected future cash flows (undiscounted and without interest charges) are less than the carrying amount of the property. The estimation of expected future net cash flows is inherently uncertain and relies on assumptions regarding current and future market conditions and the

availability of capital. If impairment analysis assumptions change, then an adjustment to the carrying amount of our long-lived assets could occur in the future period in which the assumptions change. To the extent that a property is impaired, the excess of the carrying amount of the property over its estimated fair value is charged to earnings.

Rental Revenues. We record rental revenue from operating leases on a straight-line basis over the term of the leases and maintain an allowance for estimated losses that may result from the inability of our customers to make required payments. If customers fail to make contractual lease payments that are greater than our bad-debt reserves, security deposits and letters of credit, then we may have to recognize additional bad debt charges in future periods. Each period we review our outstanding accounts receivable, including straight-line rents, for doubtful accounts and provide allowances as needed. Historically, our bad debt expense has been between 50 and 150 basis points of total revenues. We also record lease termination fees when a customer terminates its lease, vacates the premises, and the termination fee is due and billable.

Consolidated Joint Ventures. Minority interests represent the limited partnership interests in the operating partnership and interests held by certain third parties in several real estate joint ventures, aggregating approximately 36.5 million square feet, which are consolidated for financial reporting purposes. Such investments are consolidated because we own a majority interest or we exercise significant control over major operating decisions such as approval of budgets, selection of property managers, asset management, investment activity and changes in financing. When we contribute properties to our joint ventures, we recognize a gain on the contributed properties acquired by the third-party co-investors.

Investments in Unconsolidated Joint Ventures. We have non-controlling limited partnership interests in five separate unconsolidated joint ventures. These investments are not consolidated because we do not exercise significant control over major operating decisions such as approval of budgets, selection of property managers, asset management, investment activity and changes in financing. We account for the joint ventures using the equity method of accounting. When we contribute properties to our joint ventures, we recognize a gain representing the portion of the contributed properties acquired by the third-party investors.

Stock-based Compensation Expense. In 2002, we adopted the expense recognition provisions of Statement of Financial Accounting Standard (“SFAS”) No. 123, *Accounting for Stock-Based Compensation*. We value stock options issued using the Black-Scholes option-pricing model and recognize this value as an expense over the period in which the options vest. Under this standard, recognition of expense for stock options is applied to all options granted after the beginning of the year of adoption. Prior to 2002, we followed the intrinsic method set forth in APB Opinion 25, *Accounting for Stock Issued to Employees*. The expense is included in general and administrative expenses in the accompanying consolidated statements of operations. The adoption of SFAS No. 123 is prospective and the 2002 expense relates only to stock options granted in 2002.

Real Estate Investment Trust Compliance. We elected to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code commencing with our taxable year ended December 31, 1997. In order to qualify as a real estate investment trust, we must derive at least 95% of our gross income in any year from qualifying sources. In addition, we must pay dividends to stockholders aggregating annually at least 90% of our real estate investment trust taxable income (determined without regard to the dividends paid deduction and by excluding capital gains) and must satisfy specified asset tests on a quarterly basis. It is our current intention to adhere to these requirements and maintain our real estate investment trust status. As a real estate investment trust, we generally will not be subject to corporate level federal income tax on net income that we distribute currently to our stockholders. As such, no provision for federal income taxes has been included in the accompanying consolidated financial statements. As a real estate investment trust, we still may be subject to certain state, local and foreign taxes on our income and property and to federal income and excise taxes on our undistributed taxable income. In addition, we will be required to pay federal and state income tax on the net taxable income, if any, from the activities conducted through our taxable REIT subsidiaries.

THE COMPANY

AMB Property Corporation, a Maryland corporation, acquires, owns and operates, manages, renovates, expands and develops primarily industrial properties in key distribution markets throughout North America, Europe and Asia. We commenced operations as a fully integrated real estate company effective with the completion of our initial public offering on November 26, 1997. Increasingly, our properties are designed for customers who value the efficient movement of goods in the world's busiest distribution markets: large, supply-constrained locations with close proximity to airports, seaports and major freeway systems. As of September 30, 2003, we served 2,534 customers in a portfolio (owned, managed or under development) totaling 1,004 buildings, encompassing approximately 96.9 million square feet (9.0 million square meters), in 32 global markets.

Through our subsidiary, AMB Property, L.P., a Delaware limited partnership, we are engaged in the acquisition, ownership, operation, management, renovation, expansion and development of primarily industrial properties in key distribution markets throughout North America, Europe and Asia. We refer to AMB Property, L.P. as the "operating partnership." As of September 30, 2003, we owned an approximate 94.6% general partnership interest in the operating partnership, excluding preferred units. As the sole general partner of the operating partnership, we have the full, exclusive and complete responsibility and discretion in the day-to-day management and control of the operating partnership.

Our investment strategy targets customers whose businesses are tied to global trade, which, according to the World Trade Organization, has grown at approximately 2.5 times the world gross domestic product (GDP) growth rate during the last 10 years. To serve the facilities needs of these customers, we invest in major markets: transportation hubs and gateways in the U.S., and targeted distribution and airport markets internationally. Our target markets are characterized by large population densities and typically offer substantial consumer bases, proximity to large clusters of distribution-facility users and significant labor pools. When measured by annual base rents, 68.6% of our assets are concentrated in eight domestic hub distribution markets: Atlanta, Chicago, Dallas/Fort Worth, Los Angeles, Northern New Jersey/New York City, San Francisco Bay Area, Miami and Seattle.

By focusing on an investment strategy that benefits from high customer demand and limited competition from new supply, we believe that over time our net operating income (rental revenues less property operating expenses and real estate taxes) will grow and our property values will increase. We work to implement this strategy by investing in locations that have geographic or regulatory supply constraints, high barriers to entry and close proximity to large population centers, and invest in buildings with customer-preferred characteristics.

Much of our portfolio is comprised of strategically located industrial buildings in in-fill submarkets; in-fill locations are characterized by supply constraints on the availability of land for competing projects as well as physical, political or economic barriers to new development. A majority of our owned or managed buildings function as High Throughput Distribution®, or HTD® facilities; buildings designed to quickly distribute our customers' products, rather than store them. Our investment focus on HTD assets is based on the global trend toward lower inventory levels and expedited supply chains.

HTD facilities generally have a variety of characteristics that allow the rapid transport of goods from point-to-point; examples of these characteristics include numerous dock doors, shallower building depths, fewer columns, large truck courts and more space for trailer parking. These facilities function best when located in convenient proximity to transportation infrastructure such as major airports and seaports. We believe that these building characteristics represent an important success factor for time-sensitive tenants such as air express, logistics and freight forwarding companies.

As of September 30, 2003, we owned and operated (exclusive of properties that we managed for third parties) 896 industrial buildings and seven retail and other properties, totaling approximately 83.8 million rentable square feet, located in 27 markets throughout North America and in France. As of September 30, 2003, our industrial and retail properties were 92.0% and 77.0% leased, respectively. As of September 30, 2003, through our subsidiary, AMB Capital Partners, LLC, we also managed, but did not have an ownership

interest in, industrial buildings and retail centers, totaling approximately 0.5 million rentable square feet. In addition, as of September 30, 2003, we had investments in operating industrial buildings, totaling approximately 7.9 million rentable square feet, through unconsolidated joint ventures. As of September 30, 2003, we also had investments in industrial development projects, some of which are held for sale, totaling approximately 4.7 million square feet.

As of September 30, 2003, we had one retail center and three industrial buildings held for divestiture. Over the next few years, as market conditions allow, we intend to dispose of non-strategic assets and redeploy the resulting capital into industrial properties in supply-constrained markets in the U.S. and internationally that better fit our current investment focus.

We are self-administered and self-managed and expect that we have qualified and will continue to qualify as a real estate investment trust for federal income tax purposes beginning with the year ended December 31, 1997. As a self-administered and self-managed real estate investment trust, our own employees perform our corporate administrative and management functions, rather than our relying on an outside manager for these services. Through our Strategic Alliance Program, we have established relationships with third-party real estate management firms, brokers and developers that provide property-level administrative and management services to us. Our principal executive office is located at Pier 1, Bay 1, San Francisco, California 94111; our telephone number is (415) 394-9000. We also maintain regional offices in Boston, Massachusetts, Chicago, Illinois, New York, New York and Amsterdam, the Netherlands. Our Chicago office opened in July 2003. As of September 30, 2003, we employed 170 individuals, 125 at our San Francisco headquarters, 41 in our Boston office, two in our Amsterdam office, one in our Chicago office and one in our New York office. Our website address is www.amb.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available on our website free of charge as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. We have adopted a code of business conduct that applies to our principal executive officers, principal financial officer, principal accounting officer or controller, and persons performing similar functions, which is available free of charge on our website. We will promptly disclose on our website any amendments to, and waivers from, our code of business conduct relating to any of these specified officers. Information contained on our website is not and should not be deemed as part of this quarterly report.

Co-investment Joint Ventures

Through the operating partnership, we enter into co-investment joint ventures with institutional investors. These co-investment joint ventures provide us with an additional source of capital to fund certain acquisitions, development projects and renovation projects, as well as private capital income, which enhances our returns. As of September 30, 2003, we had investments in five co-investment joint ventures with a gross book value of $1.7 billion, which are consolidated for financial reporting purposes.

Acquisition, Development and Disposition Activity

During the three months ended September 30, 2003, we invested $57.4 million in 13 operating properties, aggregating approximately 0.8 million square feet, of which we invested $27.3 million in six operating properties, aggregating approximately 0.5 million square feet through two of our co-investment joint ventures. During the nine months ended September 30, 2003, we invested $188.4 million in 31 operating properties, aggregating approximately 3.2 million square feet, of which we invested $154.6 million in 23 operating properties, aggregating approximately 2.8 million square feet, through two of our co-investment joint ventures.

During the three months ended September 30, 2003, we stabilized three industrial buildings valued at $21.5 million, aggregating approximately 0.4 million square feet. We also initiated two new industrial development projects valued at $67.5 million, aggregating approximately 1.6 million square feet. During the nine months ended September 30, 2003, we stabilized seven industrial buildings valued at $49.4 million, aggregating approximately 0.8 million square feet. We also initiated ten new industrial development projects valued at $146.0 million, aggregating approximately 3.1 million square feet. During the first quarter, we

acquired 438 acres of land for development in Miami's Airport West submarket for $29.7 million. The master planned park, called Beacon Lakes, is entitled for 6.8 million square feet of properties for lease or sale. We began development of the first two buildings at Beacon Lakes, which will aggregate approximately 0.4 million square feet and have an estimated investment of $19.2 million. New development projects during the nine months ended September 30, 2003, included the two Beacon Lakes buildings as well as eight additional projects.

As of September 30, 2003, we had in our development pipeline 15 industrial projects, which will total approximately 4.0 million square feet and have an aggregate estimated investment of $207.5 million upon completion and four development-for-sale projects, which will total approximately 0.6 million square feet and have an aggregate estimated investment of $41.6 million upon completion. As of September 30, 2003, we and our partners had funded an aggregate of $119.5 million and needed to fund an estimated additional $129.6 million in order to complete current and planned projects.

On February 19, 2003, we contributed $94.0 million in operating properties, consisting of 24 industrial buildings aggregating approximately 2.4 million square feet, to our newly formed co-investment joint venture with Citigroup Global Investments Real Estate LP, LLC, Industrial Fund I, LLC, in which we retained an unconsolidated 15% ownership interest. During the three and nine months ended September 30, 2003, we also sold three development-for-sale projects, aggregating approximately 0.2 million rentable square feet, for an aggregate price of $32.1 million. During the three months ended September 30, 2003, we also disposed of nine industrial buildings and one retail center, aggregating approximately 0.8 million rentable square feet, for an aggregate price of $102.2 million. During the nine months ended September 30, 2003, we disposed of 21 industrial buildings and one retail center, aggregating approximately 2.6 million rentable square feet, for an aggregate price of $244.3 million.

Operating Strategy

We base our operating strategy on extensive operational and service offerings, including in-house acquisitions, development, redevelopment, asset management, leasing, finance, accounting and market research. We leverage our expertise across a large customer base and have long-standing relationships with entrepreneurial real estate management and development firms in our target markets, which we refer to as our Strategic Alliance Partners®.

We believe that real estate is fundamentally a local business and best operated by forging alliances with service providers in each target market. We believe that this strategy results in a mutually beneficial relationship as these alliance partners provide us with high-quality, local market expertise and intelligence. We, in turn, contribute value to the alliance relationship through national and global customer relationship development, industry knowledge, perspective and financial strength.

While our alliance relationships give us local market benefits, we retain flexibility to focus on our core competencies: developing and executing our strategic approach to real estate investment and management and raising private capital to finance growth and enhance returns to stockholders.

Growth Strategies

Growth Through Operations

We seek to generate internal growth through rent increases on existing space and renewals on rollover space. We do this by seeking to maintain a high occupancy rate at our properties and by seeking to control expenses by capitalizing on the economies of owning, operating and growing a large global portfolio. As of September 30, 2003, our industrial properties and retail centers were 92.0% leased and 77.0% leased, respectively. During the three and nine months ended September 30, 2003, average industrial base rental rates decreased by 15.1% and 7.4%, respectively, from the expiring rent for that space, on leases entered into or renewed during the period. This amount excludes expense reimbursements, rental abatements, percentage rents and straight-line rents. During the three months ended September 30, 2003, same-store net operating income decreased by 8.2% on our industrial properties. During the nine months ended September 30, 2003,

cash-basis same-store net operating income (rental revenues less property operating expenses and real estate taxes) decreased by 3.1% on our industrial properties. Since our initial public offering in November 1997, we have experienced average annual increases in industrial base rental rates of 10.9%. While we believe that it is important to view real estate as a long-term investment, past results are not necessarily an indication of future performance.

Growth Through Acquisitions and Capital Redeployment

We believe that our significant acquisition experience, our alliance-based operating strategy and our extensive network of property acquisition sources will continue to provide opportunities for external growth. We have forged relationships with third-party local property management firms through our Management Alliance Program®. We believe that these alliances will create acquisition opportunities, as such managers frequently market properties on behalf of sellers. Our operating structure also enables us to acquire properties through our UPREIT Alliance Program® in exchange for limited partnership units in the operating partnership, thereby enhancing our attractiveness to owners and developers seeking to transfer properties on a tax-deferred basis. In addition to acquisitions, we seek to redeploy capital from non-strategic assets into properties that better fit our current investment focus.

We are generally in various stages of negotiations for a number of acquisitions and dispositions that may include acquisitions and dispositions of individual properties, acquisitions of large multi-property portfolios and acquisitions of other real estate companies. There can be no assurance that we will consummate any of these transactions. Such transactions, if we consummate them, may be material individually or in the aggregate. Sources of capital for acquisitions may include undistributed cash flow from operations, borrowings under our unsecured credit facility, other forms of secured or unsecured debt financing, issuances of debt or equity securities by us or the operating partnership (including issuances of units in the operating partnership or its subsidiaries), proceeds from divestitures of properties, assumption of debt related to the acquired properties and private capital from our co-investment partners.

Growth Through Development

We believe that renovation and expansion of properties and development of well-located, high-quality industrial properties should continue to provide us with attractive opportunities for increased cash flow and a higher rate of return than we may obtain from the purchase of fully-leased, renovated properties. Value-added properties are typically characterized as properties with available space or near-term leasing exposure, undeveloped land acquired in connection with another property that provides an opportunity for development or properties that are well-located but require redevelopment or renovation. Value-added properties require significant management attention and capital investment to maximize their return. We believe that we have developed the in-house expertise to create value through acquiring and managing value-added properties and believe that our global market presence and expertise will enable us to continue to generate and capitalize on these opportunities. In addition to our in-house development staff, we have established strategic alliances with global and regional developers to enhance our development capabilities.

The multidisciplinary backgrounds of our employees should provide us with the skills and experience to capitalize on strategic renovation, expansion and development opportunities. Several of our officers have specific experience in real estate development, both with us and with national development firms. We generally pursue development projects in joint ventures with our Development Alliance Partners®; however, if a Development Alliance Partner® is not available for a project, then we will pursue the opportunity with our in-house development staff. This way, we leverage the development skill, access to opportunities and capital of such developers, and we eliminate the need and expense of an extensive in-house development staff. Under a typical joint venture agreement with a Development Alliance Partner, we would fund 95% of the construction costs and our partner would fund 5%; however, in certain cases we may own as little as 50% or as much as 98% of the joint venture. Upon completion, we generally would purchase our partner's interest in the joint venture. We may also structure developments where we would own 100% of the asset with an incentive development fee to be paid upon completion to our development partner. As of September 30, 2003, we had in our

development pipeline 15 industrial projects, which will total approximately 4.0 million square feet and have an aggregate estimated investment of $207.5 million upon completion.

Growth Through Co-Investments

We co-invest with third-party partners (some of whom may be clients of AMB Capital Partners, LLC, to the extent such partners commit new investment capital) through partnerships, limited liability companies or joint ventures. We currently use a co-investment formula with each third party whereby we will own at least a 20% interest in all ventures. In general, we control all significant operating and investment decisions of our co-investment entities. We believe that our co-investment program will continue to serve as a source of capital for acquisitions and developments; however, there can be no assurance that it will continue to do so.

Growth Through Developments for Sale

The operating partnership, through its taxable REIT subsidiaries, conducts a variety of businesses that include incremental income programs, such as our development projects available for sale to third parties. Such development properties include value-added conversion projects and build-to-sell projects. As of September 30, 2003, we were developing four projects for sale to third parties, which will total approximately 0.6 million square feet and have an aggregate estimated investment of $41.6 million upon completion.

Growth Through Global Expansion

Over the next five years, we expect to have from 12% to 15% of our assets (based on consolidated annualized base rent) invested in international markets. Our Mexican target markets currently include Mexico City, Guadalajara and Monterrey. Our European target markets currently include Paris, Amsterdam, Frankfurt, Madrid and London. Our Asian target markets currently include Singapore, Hong Kong and Tokyo. As of September 30, 2003, our Guadalajara and Paris properties comprised 1.0% of our total annualized based rent. In January 2003, we also sold a property in Mexico City and recognized a gain on the disposition. There are many factors that could cause our entry into target markets and future capital allocation to differ from our current expectations, which are discussed under the subheading “Our International Growth is Subject to Special Political and Monetary Risks” and elsewhere under the heading “Business Risks” in this report.

We believe that expansion into target international markets represents a natural extension of our well-established strategy to invest in industrial markets with high population densities, close proximity to large customer clusters and available labor pools, and major distribution centers serving the global supply chain. Our expansion strategy mirrors our domestic focus on supply-constrained submarkets with political, economic or physical constraints to new development. Our international investments will extend our offering of High Throughput Distribution facilities for customers who value speed-to-market over storage. Specifically, we are focused on customers whose business is derived from global trade, which is expected to grow significantly faster than world GDP growth. In addition, our investments target major consumer distribution markets and customers.

We believe that our established customer relationships, our contacts in the air cargo and logistics industries, diligent underwriting of markets and investment considerations and our strategic alliance partnerships with knowledgeable developers and managers will assist us in competing internationally.

RESULTS OF OPERATIONS

The analysis below includes changes attributable to same store growth, acquisitions, development activity and divestitures. Same store properties are those that we owned during both the current and prior year reporting periods, excluding development properties prior to being stabilized (generally defined as 90% leased or 12 months after we receive a certificate of occupancy for the building). For the comparison between the three and nine months ended September 30, 2003 and 2002, same store industrial properties consisted of properties aggregating approximately 72.4 million square feet. The properties acquired during the nine months

ended September 30, 2003, consisted of 31 buildings, aggregating approximately 3.2 million square feet. The properties acquired during 2002 consisted of 43 buildings, aggregating approximately 5.4 million square feet. During the nine months ended September 30, 2003, property divestitures and contributions consisted of 46 industrial buildings, aggregating approximately 5.1 million square feet. In 2002, property divestitures consisted of 58 industrial and two retail buildings, aggregating approximately 5.7 million square feet. Our future financial condition and results of operations, including rental revenues, may be impacted by the acquisition of additional properties and dispositions. Our future revenues and expenses may vary materially from historical results.

Occupancy levels in our industrial portfolio and rents on lease renewals and rollovers were lower in the first nine months of 2003 as the general contraction in business activity nationwide reduced demand for industrial warehouse facilities. According to Torto Wheaton Research, the overall industrial market deteriorated rapidly from its peak levels at the end of 2000, when availability was 6.6%, through the second quarter of 2002, when availability reached 10.8%. Subsequently, national industrial availability has deteriorated at a more modest rate, declining an average of 20 basis points per quarter to reach 11.6% at September 30, 2003. As a result of the increase in availability, market rents for industrial properties in most markets decreased over 10%, with some markets experiencing decreases of over 25%. Over the same period, our portfolio vacancy increased from 3.6% at December 31, 2000 to 8.0% at September 30, 2003, consistent with market trends. While the level of rental rate reduction varied by market, we strove to maintain high occupancy by pricing lease renewals and new leases with sensitivity to local market conditions. In periods of decreasing rental rates, we strive to sign leases with shorter terms to prevent locking-in lower rent levels for long periods and to be prepared to sign new, longer-term leases during periods of growing rental rates. When we sign leases of shorter duration, we strive to limit overall leasing costs and capital expenditures by offering modest tenant improvement packages, consistent with the lease term. We generally followed this practice during the nine months ended September 30, 2003. Occupancy in our operating industrial portfolio was 92.0% at September 30, 2003, 370 basis points greater than the overall industrial market and up 50 basis points from June 30, 2003. The impact of declining occupancy was further evidenced by decreases in rents as leases were renewed or rolled over to new customers at lower rates. Rents on industrial renewals and rollovers decreased 1.0% during 2002 and 7.4% for the nine months ended September 30, 2003.

During the last four quarters, our dispositions and contributions have totaled $498.1 million, including assets in markets that no longer fit our investment strategy and properties at valuations that we considered to be at premium levels. Although these sales and contributions have diluted our near-term operating results, we believe they help position the company for long-term growth and higher return on invested capital by increasing the strategic fit of our portfolio with our investment and private capital models. Further, proceeds from these sales, along with our balance sheet and private capital sources, create significant capacity for future deployment. While we will continue to sell assets on an opportunistic basis, we’ve substantially achieved our near-term strategic disposition goals. Therefore, in the coming quarters, we expect that our net investment activity will begin to reflect the acquisition and development opportunities that we are seeing in our targeted global distribution markets.

For the Three Months Ended September 30, 2003 and 2002 (dollars in millions)

Revenues	2003	2002	$ Change	% Change
Rental revenues				
Domestic industrial:				
Same store	$123.8	$131.9	$ (8.1)	(6.1)%
2002 acquisitions	13.6	8.5	5.1	60.0%
2003 acquisitions	4.5	—	4.5	—%
International industrial	1.7	0.1	1.6	1,600.0%
Retail and other	4.6	6.4	(1.8)	(28.1)%
Total rental revenues	148.2	146.9	1.3	0.9%
Private capital income	1.9	2.8	(0.9)	(32.1)%
Total revenues	$150.1	$149.7	$ 0.4	0.3%

The decrease in domestic industrial same store rental revenues resulted primarily from lower average occupancies and increased bad debt expense, partially offset by fixed rent increases on existing leases. Industrial same store occupancy was 91.7% at September 30, 2003, and 94.7% at September 30, 2002. For the three months ended September 30, 2003, rents in the same store portfolio decreased 16.3% on industrial renewals and rollovers (cash basis) on 4.3 million square feet leased. The 2002 acquisitions consisted of 43 buildings, aggregating approximately 5.4 million square feet. The 2003 acquisitions consist of 31 buildings, aggregating approximately 3.2 million square feet. In 2002, we acquired properties in Mexico and France, resulting in increased international industrial revenues. The decrease in private capital income was due to lower acquisition fees and our discontinuation of the management of two portfolios, which we had managed for third parties and in which we had no ownership interest, during the current quarter.

Costs and Expenses	2003	2002	$ Change	% Change
Property operating costs:				
Rental expenses	$(22.3)	$(20.2)	$ 2.1	10.4%
Real estate taxes	(17.7)	(17.4)	0.3	1.7%
Total property operating costs	$(40.0)	$(37.6)	$ 2.4	6.4%
Property operating costs				
Domestic industrial:				
Same store	$(32.3)	$(32.2)	$ 0.1	0.3%
2002 acquisitions	(4.3)	(2.5)	1.8	72.0%
2003 acquisitions	(1.1)	—	1.1	—%
Retail and other	(2.3)	(2.9)	(0.6)	(20.7)%
Total property operating costs	(40.0)	(37.6)	2.4	6.4%
Depreciation and amortization	(32.6)	(31.4)	1.2	3.8%
General and administrative	(10.8)	(12.4)	(1.6)	(12.9)%
Total costs and expenses	$(83.4)	$(81.4)	$ 2.0	2.5%

The $0.1 million increase in same store properties' operating expenses was primarily due to increases in common area maintenance expense of $0.4 million, non-reimbursable expense of $0.3 million and ground rent expense of $0.2 million, offset by decreases in insurance expense of $0.4 million and in real estate taxes of $0.4 million. The 2002 acquisitions consisted of 43 buildings, aggregating approximately 5.4 million square feet. The 2003 acquisitions consist of 31 buildings, aggregating approximately 3.2 million square feet. The increase in depreciation and amortization expense was due to the increase in our net investment in real estate.

The decrease in general and administrative expenses was due to decreased personnel costs and lower taxes for our taxable subsidiaries.

Other Income and Expenses	2003	2002	$ Change	% Change
Equity in earnings of unconsolidated joint ventures	$ 1.4	$ 1.3	$ 0.1	7.7%
Interest and other income	0.7	2.6	(1.9)	(73.1)%
Merchant development profits, net	2.2	0.6	1.6	266.7%
Interest, including amortization	(35.9)	(37.5)	(1.6)	(4.3)%
Total other income and expenses	$(31.6)	$(33.0)	$ (1.4)	(4.2)%

The decrease in interest and other income was primarily due to decreased income from our investment in AMB Pier One, LLC. The increase in merchant development profits, net, primarily resulted from the sale of Novato Fair Shopping Center in Northern California for a net gain of $1.2 million. The decrease in interest, including amortization, was due to lower overall interest rates on our outstanding debt, partially offset by write-offs of deferred financing costs on refinanced secured debt.

Preferred stock and unit redemption discount/(issuance costs). On July 28, 2003, we redeemed all 3,995,800 shares of our 8.5% Series A Cumulative Redeemable Preferred Stock and recognized a reduction of income available to common stockholders of $3.7 million for the original issuance costs. In July 2003, the SEC announced that it had revised its position relating to the application of Emerging issues Task Force Topic No. D-42, *The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock*, (“Topic D-42”). As a result of this announcement, original issuance costs related to preferred equity are to be reflected as a reduction of income available to common stockholders in determining earnings per share for the period in which the preferred equity is redeemed. The announcement requires retroactive application of the revised position in previously issued financial statements. As a result, our financial statements for the year ending December 31, 2001, to be included in our annual report on Form 10-K for the year ending December 31, 2003, will be restated to reflect a reduction in income available to common stockholders of $3.2 million, representing the original issuance costs of AMB Property II, L.P.’s series C preferred units, which were redeemed in December 2001. Restated diluted earnings per share for the year ended December 31, 2001, will be $1.43 compared to $1.47 as previously reported. In addition, diluted funds from operations per share will be restated to conform with the revised SEC position, as required under the National Association of Real Estate Investment Trusts definition, to $2.33 for the year ended December 31, 2001, compared to $2.37 as previously reported. The SEC’s revised position on Topic D-42 does not require us to file amendments to previously filed reports and will not impact any other previously reported periods.

For the Nine Months Ended September 30, 2003 and 2002 (dollars in millions)

Revenues	2003	2002	$ Change	% Change
Rental revenues				
Domestic industrial:				
Same store	$386.1	$393.1	$ (7.0)	(1.8)%
2002 acquisitions	41.2	11.1	30.1	271.2%
2003 acquisitions	5.0	—	5.0	—%
International industrial	4.1	0.1	4.0	4,000.0%
Retail and other	14.5	21.6	(7.1)	(32.9)%
Total rental revenues	450.9	425.9	25.0	5.9%
Private capital income	7.9	8.5	(0.6)	(7.1)%
Total revenues	$458.8	$434.4	$ 24.4	5.6%

The decrease in domestic industrial same store rental revenues resulted primarily from lower average occupancies and increased bad debt expense, partially offset by an increase in lease termination fees and fixed

rent increases on existing leases. Industrial same store occupancy was 91.7% at September 30, 2003, and 94.7% at September 30, 2002. For the nine months ended September 30, 2003, rents in the same store portfolio decreased 8.0% on industrial renewals and rollovers (cash basis) on 12.7 million square feet leased. The 2002 acquisitions consisted of 43 buildings, aggregating approximately 5.4 million square feet. In 2002, we acquired properties in Mexico and France, resulting in increased international industrial revenues. The 2003 acquisitions consist of 31 buildings, aggregating approximately 3.2 million square feet. The decrease in private capital income was primarily due to lower acquisition fees.

Costs and Expenses	2003	2002	$ Change	% Change
Property operating costs:				
Rental expenses	$ (65.0)	$ (54.7)	$ 10.3	18.8%
Real estate taxes	(53.2)	(50.9)	2.3	4.5%
Total property operating costs	$(118.2)	$(105.6)	$ 12.6	11.9%
Property operating costs:				
Domestic industrial:				
Same store	$ (96.0)	$ (93.5)	$ 2.5	2.7%
2002 acquisitions	(13.5)	(2.9)	10.6	365.5%
2003 acquisitions	(1.3)	—	1.3	—%
International industrial	(0.5)	—	0.5	—%
Retail and other	(6.9)	(9.2)	(2.3)	(25.0)%
Total property operating costs	(118.2)	(105.6)	12.6	11.9%
Depreciation and amortization	(99.3)	(88.7)	10.6	12.0%
Impairment losses	(5.2)	—	5.2	—%
General and administrative	(35.2)	(34.2)	1.0	2.9%
Total costs and expenses	$(257.9)	$(228.5)	$ 29.4	12.9%

The $2.5 million increase in same store properties' operating expenses was primarily due to increases in common area maintenance expenses, including snow removal, of $2.4 million and real estate taxes of $0.6 million, partially offset by a decrease in insurance expenses of $0.9 million. The 2002 acquisitions consisted of 43 buildings, aggregating approximately 5.4 million square feet. The 2003 acquisitions consist of 31 buildings, aggregating approximately 3.2 million square feet. The increase in depreciation and amortization expense was due to the increase in our net investment in real estate, partially offset by a reduction of $2.1 million for the recovery, through the settlement of a lawsuit, of capital expenditures paid in prior years. The impairment loss was on investments in real estate and leasehold interests that continue to be held for long-term investment. The increase in general and administrative expenses was primarily due to increased stock-based compensation expense resulting from the issuance of additional restricted stock.

Other Income and Expenses	2003	2002	$ Change	% Change
Equity in earnings of unconsolidated joint ventures	$ 4.2	$ 4.4	$ (0.2)	(4.5)%
Interest and other income	3.7	9.9	(6.2)	(62.6)%
Gains from dispositions of real estate	7.4	2.5	4.9	196.0%
Merchant development profits, net	2.2	0.6	1.6	266.7%
Interest, including amortization	(108.0)	(109.1)	(1.1)	(1.0)%
Total other income and expenses	$ (90.5)	$ (91.7)	$ (1.2)	(1.3)%

The decrease in interest and other income was primarily due to the repayment of a $74.0 million mortgage note in July 2002. We carried the 9.5% mortgage note secured by a retail center that we sold in September 2000 in the principal amount of $74.0 million. The increase in gains from dispositions of real estate (not included in discontinued operations) resulted from our contribution of $94.0 million in operating

properties to our newly formed co-investment joint venture, Industrial Fund I, LLC, in February 2003. We recognized a gain of $7.4 million on the contribution, representing the portion of the contributed properties acquired by the third-party investors. During the nine months ended September 30, 2002, we sold two industrial buildings and one retail center, aggregating approximately 0.8 million square feet, for an aggregate price of $50.6 million, with a resulting loss of $0.8 million. In June 2002, we also contributed $76.9 million in operating properties to our consolidated co-investment joint venture, AMB-SGP, LP. We recognized a gain of $3.3 million on the contribution, representing the portion of the contributed properties acquired by the third-party investors. The property contributions and 2002 sales of properties held for disposition at December 31, 2001, were not classified as discontinued operations under the provisions of SFAS No. 144. The increase in merchant development profits, net, primarily resulted from the sale of Novato Fair Shopping Center in Northern California for a net gain of $1.2 million.

Preferred stock and unit redemption discount/(issuance costs). On July 28, 2003, we redeemed all 3,995,800 shares of our 8.5% Series A Cumulative Redeemable Preferred Stock and recognized a reduction of income available to common stockholders of $3.7 million for the original issuance costs.

LIQUIDITY AND CAPITAL RESOURCES

We currently expect that our principal sources of working capital and funding for acquisitions, development, expansion and renovation of properties will include:

- cash flow from operations;
- borrowings under our unsecured credit facility;
- other forms of secured or unsecured financing;
- proceeds from equity or debt offerings by us or the operating partnership (including issuances of limited partnership units in the operating partnership or its subsidiaries);
- net proceeds from divestitures of properties; and
- private capital from co-investment partners.

We believe that our sources of working capital, specifically our cash flow from operations, borrowings available under our unsecured credit facility and our ability to access private and public debt and equity capital, are adequate for us to meet our liquidity requirements for the foreseeable future.

Capital Resources

Property Contributions. On February 19, 2003, we contributed $94.0 million in operating properties, consisting of 24 industrial buildings, aggregating approximately 2.4 million square feet, to our newly formed unconsolidated joint venture, Industrial Fund I, LLC, with Citigroup Global Investments Real Estate LP, LLC, a Delaware limited liability company, and recognized a gain of $7.4 million on the contribution.

Developments-for-Sale. During the three and nine months ended September 30, 2003, we sold three development-for-sale projects, for an aggregate price of $32.1 million, with a resulting net cash gain of $2.2 million.

Property Divestitures. During the three months ended September 30, 2003, we divested ourselves of nine industrial buildings and one retail center, for an aggregate price of $102.2 million, with a resulting net gain of $7.9 million. During the nine months ended September 30, 2003, we divested ourselves of 21 industrial buildings and one retail center, for an aggregate price of $244.3 million, with a resulting net gain of $39.5 million.

Properties Held for Divestiture. We have decided to divest ourselves of one retail center and three industrial buildings, which are not in our core markets or which do not meet our current strategic objectives. The divestitures of the properties are subject to negotiation of acceptable terms and other customary

conditions. As of September 30, 2003, the net carrying value of the properties held for divestiture was $20.5 million.

Co-investment Joint Ventures. We consolidate the financial position, results of operations and cash flows of our five co-investment joint ventures. Our five co-investment joint ventures are engaged in the acquisition, ownership, operation, management and, in some cases, the renovation, expansion and development of industrial buildings in target markets nationwide. We consolidate these joint ventures for financial reporting purposes because we are the sole managing general partner and, as a result, control all major operating decisions.

Third-party equity interests in the joint ventures are reflected as minority interests in the consolidated financial statements. As of September 30, 2003, we owned approximately 31.3 million square feet of our properties through these five co-investment joint ventures and 5.2 million square feet of our properties through our other consolidated joint ventures. We may make additional investments through these joint ventures or new joint ventures in the future and presently plan to do so.

Our co-investment joint ventures at September 30, 2003 (dollars in thousands):

Co-investment Joint Venture	Joint Venture Partner	Our Approximate Ownership Percentage	Original Planned Capitalization(1)
AMB/Erie, L.P.	Erie Insurance Company and affiliates	50%	$ 200,000
AMB Institutional Alliance Fund I, L.P.	AMB Institutional Alliance REIT I, Inc.(2)	21%	$ 420,000
AMB Partners II, L.P.	City and County of San Francisco Employees' Retirement System	20%	$ 500,000
AMB-SGP, L.P.	Industrial JV Pte Ltd.(3)	50%	$ 425,000
AMB Institutional Alliance Fund II, L.P.	AMB Institutional Alliance REIT II, Inc.(4)	20%	$ 489,000
AMB-AMS, L.P.(5)	BPMT and TNO	39%	$ 200,000

(1) Planned capitalization is based on anticipated debt and both partners' expected equity contributions.

(2) Included 15 institutional investors as stockholders as of September 30, 2003.

(3) A subsidiary of the real estate investment subsidiary of the Government of Singapore Investment Corporation.

(4) Included 13 institutional investors as stockholders and one third-party limited partner as of September 30, 2003.

(5) AMB-AMS, L.P. is a commitment to form a co-investment partnership with two Dutch pension funds advised by Mn Services NV.

Common and Preferred Equity. We have authorized for issuance 100,000,000 shares of preferred stock, of which the following series were designated as of September 30, 2003: 1,300,000 shares of Series B preferred; 1,595,337 shares of Series D preferred; 220,440 shares of Series E preferred; 267,439 shares of Series F preferred; 840,000 shares of Series H preferred; 510,000 shares of Series I preferred; 800,000 shares of Series J preferred; 800,000 shares of Series K preferred; and 2,300,000 shares of Series L preferred.

On July 14, 2003, AMB Property II, L.P. repurchased, from an unrelated third party, 66,300 of its series F preferred units for $3.3 million, including accrued and unpaid dividends.

On October 27, 2003, the operating partnership gave irrevocable notice that it will redeem all 1,300,000 of its outstanding 8 5/8% Series B Cumulative Redeemable Preferred Partnership Units on November 26, 2003, for an aggregate redemption price of $65.6 million.

On June 23, 2003, we issued and sold 2,000,000 shares of 6.5% Series L Cumulative Redeemable Preferred Stock at a price of $25.00 per share. Dividends are cumulative from the date of issuance and payable quarterly in arrears at a rate per share equal to $1.625 per annum. The series L preferred stock is redeemable

by us on or after June 23, 2008, subject to certain conditions, for cash at a redemption price equal to $25.00 per share, plus accumulated and unpaid dividends thereon, if any, to the redemption date. We contributed the net proceeds of $48.4 million to the operating partnership, and in exchange, the operating partnership issued to us 2,000,000 6.5% Series L Cumulative Redeemable Preferred Units. The operating partnership used the proceeds, in addition to proceeds previously contributed to the operating partnership from other equity issuances, to redeem all 3,995,800 of its 8.5% Series A Cumulative Redeemable Preferred Units from us on July 28, 2003. We, in turn, used those proceeds to redeem all 3,995,800 of our 8.5% Series A Cumulative Redeemable Preferred Stock for $100.2 million, including all accumulated and unpaid dividends thereon, to the redemption date.

On November 6, 2003, we priced 2,000,000 shares of 6.75% Series M Cumulative Redeemable Preferred Stock at $25.00 per share. We also granted the underwriters an option to purchase up to 300,000 additional shares of series M preferred stock at $25.00 per share, which the underwriters exercised in full on November 12, 2003. We expect to issue and sell the 2,300,000 shares of series M preferred stock on November 25, 2003. Dividends will be cumulative from the date of issuance and payable quarterly in arrears at a rate per share equal to $1.6875 per annum. We will contribute the net proceeds to the operating partnership, and in exchange, the operating partnership will issue to us 2,300,000 6.75% Series M Cumulative Redeemable Preferred Units.

In December 2001, our board of directors approved a new stock repurchase program for the repurchase of up to $100.0 million worth of our common and preferred stock. In December 2002, our board of directors increased the repurchase program to $200.0 million. The current stock repurchase program expires in December 2003 and, as of September 30, 2003, $109.3 million of repurchase capacity remained under the program. Year to date 2003, we repurchased 812,900 shares of our common stock for $21.2 million, including commissions.

Debt. In order to maintain financial flexibility and facilitate the deployment of capital through market cycles, we presently intend to operate with a debt-to-total market capitalization ratio (our share) of approximately 45% or less. As of September 30, 2003, our share of total debt-to-total market capitalization ratio was 35.2%. Additionally, we currently intend to manage our capitalization in order to maintain an investment grade rating on our senior unsecured debt. Regardless of these policies, our organizational documents do not limit the amount of indebtedness that we may incur. Accordingly, our management could alter or eliminate these policies without stockholder approval or circumstances could arise that could render us unable to comply with these policies.

As of September 30, 2003, the aggregate principal amount of our secured debt was $1.3 billion, excluding unamortized debt premiums of $8.1 million. Of the $1.3 billion of secured debt, $1.0 billion is secured by properties in our joint ventures. The secured debt is generally non-recourse and bears interest at rates varying from 2.6% to 12.0% per annum (with a weighted average rate of 7.0%) and final maturity dates ranging from December 2003 to June 2023. All of the secured debt bears interest at fixed rates, except for four loans with an aggregate principal amount of $30.9 million as of September 30, 2003, which bear interest at variable rates (with a weighted average interest rate of 3.6% as of September 30, 2003). Over time, we intend to repay the secured debt on our wholly-owned assets; we may prepay, if market conditions warrant, using proceeds from unsecured bond issuances, proceeds from property sales or other sources. We typically finance our co-investment joint ventures with secured debt at a loan-to-value of 50-65%.

In June 1998, we issued $400.0 million of unsecured senior debt securities. Interest on the unsecured senior debt securities is payable semi-annually. The 2015 notes are putable and callable in September 2005. In August 2000, the operating partnership commenced a medium-term note program and subsequently issued $400.0 million of medium-term notes with an average interest rate of 7.3%. In May 2002, the operating partnership commenced a new medium-term note program for the issuance of up to $400.0 million in principal amount of medium-term notes, which will be guaranteed by us. As of September 30, 2003, the operating partnership had issued no medium-term notes under this program.

On November 10, 2003, the operating partnership issued $75.0 million aggregate principal amount of senior unsecured notes under its May 2002 medium-term note program to Teachers Insurance and Annuity

Association of America. We guaranteed the principal amount and interest on the notes, which mature on November 1, 2013 and bear interest at 5.53% per annum. Teachers has agreed that until November 10, 2005, the operating partnership can require Teachers to return the notes to it for cancellation for an obligation of equal dollar amount under a first mortgage loan to be secured by properties determined by the operating partnership, except that in the event the ratings on the operating partnership's senior unsecured debt are downgraded by two ratings agencies to BBB- or lower (or Baa3 or lower in the case of Moody's Investors Service, Inc.), the operating partnership will only have ten days after the last of these downgrades to exercise this right. During the period when the operating partnership can exercise its cancellation right and until any mortgage loans close, Teachers has agreed not to sell, contract to sell, pledge, transfer or otherwise dispose of, any portion of the notes. After the settlement of the medium-term note issuance to Teachers, the operating partnership had $325.0 million principal amount of medium-term notes available for issuance under the program. The operating partnership intends to issue medium-term notes, guaranteed by us, under the program from time to time as market conditions permit. We currently anticipate the issuance of additional medium-term notes under the program prior to the end of the year.

We guarantee the operating partnership's obligations with respect to its senior debt securities. If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds from other capital transactions, then our cash flow may be insufficient to pay dividends to our stockholders in all years and to repay debt upon maturity. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. This increased interest expense would adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock.

Credit Facilities. In December 2002, the operating partnership renewed its $500.0 million unsecured revolving line of credit. We guarantee the operating partnership's obligations under the credit facility. The credit facility matures in December 2005, has a one-year extension option and currently is subject to a 20 basis point annual facility fee. Borrowings under our credit facility currently bear interest at LIBOR plus 60 basis points. Euro borrowings under the credit facility currently bear interest at EURIBOR plus 60 basis points. Yen borrowings under the credit facility currently bear interest at the Japan LIBOR fixing plus 60 basis points. Both the facility fee and the interest rate are based on our credit rating, which is currently investment grade. However, if our credit rating falls below investment grade, then our facility fee and interest rate may increase. The credit facility includes a multi-currency component, which was amended effective July 10, 2003 to increase from $150.0 million to $250.0 million the amount that may be drawn in either British pounds sterling, Euros or Yen (provided that such currency is readily available and freely transferable and convertible to U.S. dollars, the Reuters Monitor Money Rates Service reports LIBOR for such currency in interest periods of 1, 2, 3 or 6 months and the operating partnership has an investment grade credit rating). The operating partnership has the ability to increase available borrowings to $700.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase their commitments. We use our unsecured credit facility principally for acquisitions and for general working capital requirements. Monthly debt service payments on our credit facility are interest only. The total amount available under our credit facility fluctuates based upon the borrowing base, as defined in the agreement governing the credit facility, generally the value of our unencumbered properties. As of September 30, 2003, the outstanding balance on our unsecured credit facility was $91.3 million and the remaining amount available was $371.5 million, net of outstanding letters of credit (excluding the $200.0 million of potential additional capacity). The outstanding balance included borrowings of $41.3 million denominated in Euros and Yen and converted to U.S. dollars at September 30, 2003.

In August 2001, AMB Institutional Alliance Fund II, L.P. obtained a $150.0 million credit facility secured by the unfunded capital commitments of the investors in AMB Institutional Alliance REIT II, Inc. and AMB Institutional Alliance Fund II, L.P. We repaid the credit facility in April 2003 with capital contributions and secured debt financing proceeds.

Mortgage Receivable. Through a wholly-owned subsidiary, we hold a mortgage loan receivable on AMB Pier One, LLC, an unconsolidated joint venture. The note bears interest at 13.0% and matures in May 2026. As of September 30, 2003, the outstanding balance on the note was $13.1 million.

The tables below summarize our debt maturities and capitalization as of September 30, 2003 (dollars in thousands):

Debt

	Our Secured Debt	Joint Venture Debt	Unsecured Senior Debt Securities	Unsecured Debt	Credit Facilities	Total Debt
2003	$ 18,587	$ 6,174	$ —	$ 143	$ —	$ 24,904
2004	62,516	37,920	—	601	—	101,037
2005	44,427	61,181	250,000	647	91,335	447,590
2006	82,693	60,570	25,000	698	—	168,961
2007	14,495	49,416	75,000	752	—	139,663
2008	31,665	161,350	175,000	810	—	368,825
2009	4,147	82,875	—	873	—	87,895
2010	50,948	123,571	75,000	941	—	250,460
2011	409	241,374	75,000	1,014	—	317,797
2012	407	146,542	—	1,093	—	148,042
Thereafter	480	22,264	125,000	2,200	—	149,944
Subtotal	310,774	993,237	800,000	9,772	91,335	2,205,118
Unamortized premiums	7,320	774	—	—	—	8,094
Total consolidated debt	318,094	994,011	800,000	9,772	91,335	2,213,212
Our share of unconsolidated joint venture debt(1)	—	65,950	—	—	—	65,950
Total debt	318,094	1,059,961	800,000	9,772	91,335	2,279,162
Joint venture partners' share of consolidated joint venture debt	—	(640,562)	—	—	—	(640,562)
Our share of total debt	$318,094	$ 419,399	$800,000	$9,772	$91,335	$1,638,600
Weighed average interest rate	8.1%	6.7%	7.2%	7.5%	2.2%	6.9%
Weighed average maturity (in years)	3.4	6.8	5.7	11	2.2	5.7

(1) The weighted average interest and maturity for the unconsolidated joint venture debt were 6.0% and 6.0 years, respectively.

Market Equity

Security	Shares/Units Outstanding	Market Price	Market Value
Common stock	81,681,573	$ 30.81	$2,516,609
Common limited partnership units	4,618,242	$ 30.81	142,288
Total	86,299,815		$2,658,897

Preferred Stock and Units

Security	Dividend Rate	Liquidation Preference	Redemption Provisions
Series B preferred units	8.63%	$ 65,000	November 2003
Series D preferred units	7.75%	79,767	May 2004
Series E preferred units	7.75%	11,022	August 2004
Series F preferred units	7.95%	10,057	March 2005
Series H preferred units	8.13%	42,000	September 2005
Series I preferred units	8.00%	25,500	March 2006
Series J preferred units	7.95%	40,000	September 2006
Series K preferred units	7.95%	40,000	April 2007
Series L preferred stock	6.50%	50,000	June 2008
Weighted average/total	7.85%	$363,346	

Capitalization Ratios

Total debt-to-total market capitalization	43.0%
Our share of total debt-to-total market capitalization	35.2%
Total debt plus preferred-to-total market capitalization	49.8%
Our share of total debt plus preferred-to-total market capitalization	43.0%
Our share of total debt-to-total book capitalization	44.9%

Liquidity

As of September 30, 2003, we had $152.4 million in cash (of which $97.6 million was held by our co-investment joint ventures), restricted cash and cash equivalents, and $371.5 million of additional available borrowings under our credit facility. To fund acquisitions, development activities and capital expenditures, and to provide for general working capital requirements, we intend to use:

- cash flow from operations;
- borrowings under our unsecured credit facility;
- other forms of secured and unsecured financing;
- proceeds from any future debt or equity offerings by us or the operating partnership (including issuances of limited partnership units in the operating partnership or its subsidiaries);
- net proceeds from divestitures of properties; and
- private capital from our co-investment partners.

The unavailability of capital would adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock.

Our board of directors declared a regular cash dividend for the quarter ended September 30, 2003, of $0.415 per share of common stock and the operating partnership declared a regular cash distribution for the quarter ended September 30, 2003, of $0.415 per common unit. The dividends and distributions were payable on October 15, 2003, to stockholders and unitholders of record on October 3, 2003. The Series B, E, F, J, K and L preferred stock and unit dividends and distributions were payable on October 15, 2003, to stockholders and unitholders of record on October 3, 2003. The Series D, H and I preferred unit distributions were payable

on September 25, 2003. The following table sets forth the dividends and distributions paid or payable per share or unit for the three and nine months ended September 30, 2003 and 2002:

Paying Entity	Security	For the three months ended September 30, 2003	For the three months ended September 30, 2002	For the nine months ended September 30, 2003	For the nine months ended September 30, 2002
AMB Property Corporation	Common stock	$0.415	$0.410	$1.245	$1.230
AMB Property Corporation	Series A preferred stock	$0.083	$0.531	$1.145	$1.593
AMB Property Corporation	Series L preferred stock	$0.406	$0.000	$0.442	$0.000
Operating Partnership	Common limited partnership units	$0.415	$0.410	$1.245	$1.230
Operating Partnership	Series A preferred units	$0.083	$0.531	$1.145	$1.593
Operating Partnership	Series B preferred units	$1.078	$1.078	$3.234	$3.234
Operating Partnership	Series J preferred units	$0.994	$0.994	$2.981	$2.981
Operating Partnership	Series K preferred units	$0.994	$0.994	$2.981	$1.966
Operating Partnership	Series L preferred units	$0.406	$0.000	$0.442	$0.000
AMB Property II, L.P.	Series D preferred units	$0.969	$0.969	$2.906	$2.906
AMB Property II, L.P.	Series E preferred units	$0.969	$0.969	$2.906	$2.906
AMB Property II, L.P.	Series F preferred units	$0.747	$0.994	$2.735	$2.707
AMB Property II, L.P.	Series G preferred units	$0.000	$0.155	$0.000	$2.142
AMB Property II, L.P.	Series H preferred units	$1.016	$1.016	$3.047	$3.047
AMB Property II, L.P.	Series I preferred units	$1.000	$1.000	$3.000	$3.000

The anticipated size of our distributions, using only cash from operations, will not allow us to retire all of our debt as it comes due. Therefore, we intend to also repay maturing debt with net proceeds from future debt or equity financings, as well as property divestitures. However, we may not be able to obtain future financings on favorable terms or at all. Our inability to obtain future financings on favorable terms or at all would adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock.

On July 14, 2003, AMB Property II, L.P. repurchased, from an unrelated third party, 66,300 of its series F preferred units for $3.3 million, including accrued and unpaid dividends. On July 28, 2003, the operating partnership redeemed from us all 3,995,800 of its series A preferred units held by us for $100.2 million, including accrued and unpaid dividends, and we, in turn, used the proceeds to redeem all 3,995,800 shares of our outstanding 8.5% series A preferred stock for $100.2 million, including accrued and unpaid dividends.

On October 27, 2003, the operating partnership gave irrevocable notice that it will redeem all 1,300,000 of its outstanding 8 5/8% Series B Cumulative Redeemable Preferred Partnership Units on November 26, 2003, for an aggregate redemption price of $65.6 million.

Capital Commitments

Developments. In addition to recurring capital expenditures, which consist of building improvements and leasing costs incurred to renew or re-tenant space, as of September 30, 2003, we are developing 15 projects representing a total estimated investment of $207.5 million upon completion and three development projects available for sale representing a total estimated investment of $41.6 million upon completion. Of this total, $119.5 million had been funded as of September 30, 2003, and an estimated $129.6 million is required to complete current and planned projects. We expect to fund these expenditures with cash from operations, borrowings under our credit facility, debt or equity issuances, net proceeds from property divestitures, and private capital from co-investment partners, which could have an adverse effect on our cash flow.

Acquisitions. During the three months ended September 30, 2003, we invested $57.4 million in 13 operating industrial buildings, aggregating approximately 0.8 million rentable square feet. During the nine months ended September 30, 2003, we invested $188.4 million in 31 operating industrial buildings,

aggregating approximately 3.2 million rentable square feet. We generally fund our acquisitions and development and renovation projects through private capital contributions, borrowings under our credit facility, cash, debt issuances and net proceeds from property divestitures. In addition, on October 6, 2003, we entered into an Agreement of Sale with privately-held International Airport Centers L.L.C. and certain of its affiliated entities, pursuant to which, if fully consummated, we will acquire a 3.4 million square foot portfolio consisting of 37 airfreight buildings located adjacent to seven international airports in the U.S. for approximately $481.0 million, including $119.0 million of assumed debt. Pursuant to the Agreement of Sale, we will acquire the buildings in separate tranches, as construction and certain other customary closing conditions, including acquiring the necessary consents, are met. On October 9, 2003, we closed on the first tranche, comprised of 25 industrial buildings located in Los Angeles, Seattle, Miami and Charlotte, aggregating approximately 1.6 million square feet, for approximately $167.0 million. We currently expect the balance of the portfolio to close in additional tranches totaling approximately $130.0 million by year-end 2003 and $184.0 million by the third quarter of 2004. A portion of the properties may be allocated to one or more of our co-investment joint ventures. We financed the first tranche, and expect to finance the remainder of the purchase price, through additional financings and proceeds from property dispositions.

Co-investment Joint Ventures. Through the operating partnership, we enter into co-investment joint ventures with institutional investors. These co-investment joint ventures provide us with an additional source of capital to fund certain acquisitions, development projects and renovation projects, as well as private capital income, which enhances our returns to our stockholders. As of September 30, 2003, we may make additional capital contributions to current and planned co-investment joint ventures of up to $30.9 million. We expect to fund these contributions with cash from operations, borrowings under our credit facility, debt or equity issuances or net proceeds from property divestitures, which could have an adverse effect on our cash flow.

Captive Insurance Company. We have responded to increasing costs and decreasing coverage availability in the insurance markets by obtaining higher-deductible property insurance from third-party insurers and by forming a wholly-owned captive insurance company, Arcata National Insurance Ltd., in December 2001. Arcata National Insurance Ltd. provides insurance coverage for all or a portion of losses below the increased deductible under our third-party policies. We capitalized Arcata National Insurance Ltd. in accordance with the applicable regulatory requirements. Arcata National Insurance Ltd. established annual premiums based on projections derived from the past loss experience of our properties. Annually, we engage an independent third party to perform an actuarial estimate of future projected claims, related deductibles and projected expenses necessary to fund associated risk management programs. Premiums paid to Arcata National Insurance Ltd. may be adjusted based on this estimate. Premiums paid to Arcata National Insurance Ltd. have a retrospective component, so that if expenses, including losses and deductibles, are less than premiums collected, the excess may be returned to the property owners (and, in turn, as appropriate, to the customers) and conversely, subject to certain limitations, if expenses, including losses, are greater than premiums collected, an additional premium will be charged. As with all recoverable expenses, differences between estimated and actual insurance premiums will be recognized in the subsequent year. Through this structure, we believe that we have more comprehensive insurance coverage at an overall lower cost than would otherwise be available in the market.

Potential Unknown Liabilities. Unknown liabilities may include the following:

- liabilities for clean-up or remediation of undisclosed environmental conditions;
- claims of customers, vendors or other persons dealing with our predecessors prior to our formation transactions that had not been asserted prior to our formation transactions;
- accrued but unpaid liabilities incurred in the ordinary course of business;
- tax liabilities; and
- claims for indemnification by the officers and directors of our predecessors and others indemnified by these entities.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet transactions, arrangements, obligations, guarantees or other relationships with unconsolidated entities or other persons that have, or are reasonably likely to have, a material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are not recorded or disclosed.

Supplemental Earning Measures

We believe that net income, as defined by U.S. GAAP, is the most appropriate earnings measure. However, we consider funds from operations, or FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), to be a useful supplemental measure of our operating performance. FFO is defined as net income, calculated in accordance with U.S. GAAP, less gains (or losses) from dispositions of real estate held for investment purposes and real estate-related depreciation, and adjustments to derive our pro rata share of FFO of consolidated and unconsolidated joint ventures. In accordance with the NAREIT White Paper on FFO, we include in FFO the effects of straight-line rents. Further, we do not adjust FFO to eliminate the effects of non-recurring charges. We believe that FFO, as defined by NAREIT, is a meaningful supplemental measure of our operating performance because historical cost accounting for real estate assets in accordance with U.S. GAAP implicitly assumes that the value of real estate assets diminishes predictably over time, as reflected through depreciation and amortization expenses. However, since real estate values have historically risen or fallen with market and other conditions, many industry investors and analysts have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient. Thus, NAREIT created FFO as a supplemental measure of operating performance for real estate investment trusts that excludes historical cost depreciation and amortization, among other items, from net income, as defined by U.S. GAAP. We believe that the use of FFO, combined with the required U.S. GAAP presentations, has been beneficial in improving the understanding of operating results of real estate investment trusts among the investing public and making comparisons of operating results among such companies more meaningful. We consider FFO to be a useful measure for reviewing our comparative operating and financial performance because, by excluding gains or losses related to sales of previously depreciated operating real estate assets and real estate depreciation and amortization, FFO can help the investing public compare the operating performance of a company's real estate between periods or as compared to other companies.

While FFO is a relevant and widely used measure of operating performance of real estate investment trusts, it does not represent cash flow from operations or net income as defined by U.S. GAAP and should not be considered as an alternative to those measures in evaluating our liquidity or operating performance. FFO also does not consider the costs associated with capital expenditures related to our real estate assets nor is FFO necessarily indicative of cash available to fund our future cash requirements. Further, our computation of FFO may not be comparable to FFO reported by other real estate investment trusts that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than we do.

Table of Contents

The following table reflects the calculation of FFO for the three and nine months ended September 30, (dollars in thousands) reconciled to net income, a comparable U.S. GAAP financial measure:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003(1)	2002(2) (Restated)	2003(1)	2002(2) (Restated)
Net income	$ 26,953	$ 27,074	$ 104,457	$ 86,227
Gains from dispositions of real estate	(7,888)	(3,734)	(46,978)	(6,214)
Real estate related depreciation and amortization:				
Total depreciation and amortization	32,584	31,446	99,269	88,650
Discontinued operations' depreciation	339	2,378	1,910	6,821
Furniture, fixtures and equipment depreciation	(170)	(179)	(548)	(526)
Ground lease amortization(3)	—	(781)	—	(1,471)
Adjustments to derive FFO from consolidated joint ventures:				
Joint venture partners' minority interests (NI)	9,809	8,771	26,410	23,104
Limited partnership unitholders' minority interests (NI)	740	942	3,093	3,622
Discontinued operations' minority interests (NI)	883	940	1,096	2,562
FFO attributable to minority interests	(17,345)	(13,635)	(47,847)	(37,753)
Adjustments to derive FFO from unconsolidated joint ventures:				
Our share of net income	(1,365)	(1,322)	(4,222)	(4,443)
Our share of FFO	2,345	2,193	7,620	6,866
Preferred stock dividends	(1,470)	(2,123)	(5,788)	(6,373)
Preferred stock and unit redemption discount/(issuance costs)	(3,671)	412	(3,671)	412
Funds from operations	$ 41,744	$ 52,382	$ 134,801	$ 161,484
Basic FFO per common share and unit	$ 0.49	$ 0.59	$ 1.57	$ 1.82
Diluted FFO per common share and unit	$ 0.48	$ 0.58	$ 1.54	$ 1.79
Weighted average common shares and units:				
Basic	85,776,251	88,575,091	85,874,579	88,634,134
Diluted	87,399,544	90,379,023	87,342,075	90,239,149

(1) In the quarter ended September 30, 2003, and effective January 1, 2003, we no longer add back impairment losses when computing FFO in accordance with NAREIT's FFO definition. As a result, FFO for the nine months ended September 30, 2003, includes an adjustment of $5.3 million to reflect the change.

(2) FFO for the quarter and nine months ended September 30, 2002, was adjusted for the retroactive adoption of SFAS No. 145 for the treatment of extraordinary items, resulting in a reduction of $0.1 million and $0.4 million, respectively, from previously reported FFO. In addition, in the quarter ended September 30, 2003, and effective January 1, 2002, we adopted EITF D-42 and began including preferred stock and unit redemption discounts and issuance cost write-offs in FFO. As a result, FFO for the three and nine months ended September 30, 2002, includes an adjustment (increase) of $0.4 million to reflect the change.

(3) In the quarter ended June 30, 2003, and effective January 1, 2003, we discontinued our practice of deducting amortization of investments in leasehold interests from FFO as such an adjustment is not provided for in NAREIT's FFO definition. As a result, FFO for the nine months ended September 30, 2003, includes an adjustment of $0.9 million to reflect the change. Had we not made the change, reported FFO per share for the quarter and nine months ended September 30, 2003, would have been $0.47 and $1.51, respectively. Had we made the change effective January 1, 2002, reported FFO per share for the quarter and nine months ended September 30, 2002, would have been $0.59 and $1.81, respectively.

We use earnings before interest, tax, depreciation and amortization, or EBITDA, to measure both our operating performance and our liquidity. We consider EBITDA to provide investors relevant and useful information because it permits fixed income investors to view income from our operations on an unleveraged basis before the effects of non-cash depreciation and amortization expense. By excluding interest expense, EBITDA allows investors to measure our operating performance independent of our capital structure and indebtedness and, therefore, allows for a more meaningful comparison of our operating performance between quarters as well as annual periods and to compare our operating performance to that of other companies, both in the real estate industry and in other industries. We consider EBITDA to be a useful supplemental measure for reviewing our comparative performance with other companies because, by excluding non-cash depreciation expense, EBITDA can help the investing public compare the performance of a real estate company to that of companies in other industries. As a liquidity measure, we believe that EBITDA helps fixed income and equity investors to analyze our ability to meet our debt service obligations and to make our quarterly preferred share and unit distributions. Management uses EBITDA in the same manner as we expect investors to, specifically when assessing our performance, when evaluating our coverage ratios and when comparing our performance to that of other companies, both in the real estate industry and in other industries. We believe investors should consider EBITDA, in conjunction with net income (the primary measure of our performance) and the other required U.S. GAAP measures of our performance and liquidity, to improve their understanding of our operating results and liquidity, and to make more meaningful comparisons of the performance of our assets between periods and as against other companies.

By excluding interest, taxes, depreciation and amortization when assessing our financial performance, an investor is assessing the earnings generated by our operations, but not taking into account the eliminated expenses incurred in connection with such operations. As a result, EBITDA has limitations as an analytical tool and should be used in conjunction with our required U.S. GAAP presentations. EBITDA does not reflect our historical cash expenditures or our future cash requirements for working capital, capital expenditures or contractual commitments. EBITDA also does not reflect the cash required to make interest and principal payments on our outstanding debt. While EBITDA is a relevant and widely used measure of operating performance and liquidity, it does not represent net income or cash flow from operations as defined by U.S. GAAP and it should not be considered as an alternative to those indicators in evaluating operating performance or liquidity. Further, our computation of EBITDA may not be comparable to EBITDA reported by other companies.

The following table reflects the calculation of EBITDA for the three and nine months ended September 30, (dollars in thousands) reconciled to net income, a U.S. GAAP financial measure:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income	$ 26,953	$ 27,074	$104,457	$ 86,227
Depreciation and amortization	32,584	31,446	99,269	88,650
Impairment losses	—	—	5,251	—
Stock-based compensation amortization	2,021	1,988	6,000	3,950
Adjustments to derive EBITDA from unconsolidated joint ventures:				
Our share of net income	(1,365)	(1,322)	(4,222)	(4,443)
Our share of FFO	2,345	2,193	7,620	6,866
Our share of interest expense	808	567	2,082	1,730
Gains from dispositions of real estate	—	—	(7,429)	(2,480)
Interest, including amortization	35,867	37,501	107,963	109,133
Total minority interests’ share of income	16,863	16,116	48,576	45,496
Total discontinued operations	(8,716)	(7,901)	(42,700)	(17,514)
Discontinued operations’ EBITDA	2,221	8,733	8,176	26,578
EBITDA	$109,581	$116,395	$335,043	$344,193

The following table reflects the calculation of EBITDA for the three and nine months ended September 30, (dollars in thousands) reconciled to net cash provided by operating activities, a U.S. GAAP financial measure:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
Net cash provided by operating activities	$ 55,704	$ 88,710	$173,714	$212,782
Straight-line rents	2,579	3,638	6,832	10,385
Adjustments to derive EBITDA from unconsolidated joint ventures:				
Our share of FFO	2,345	2,193	7,620	6,866
Our share of interest expense	808	567	2,082	1,730
Merchant development profits, net	2,181	618	2,181	618
Interest, including amortization	35,867	37,501	107,963	109,133
Debt premiums, discounts and finance cost amortization, net	(849)	(2,726)	(1,577)	(1,772)
Discontinued operations' interest including amortization	171	1,248	2,019	3,415
Changes in assets and liabilities:				
Accounts receivable and other assets	25,988	11,231	27,697	14,320
Accounts payable and other liabilities	(8,062)	(26,585)	6,512	(13,284)
EBITDA	$109,581	$116,395	$335,043	$344,193

Table of Contents

OPERATING AND LEASING STATISTICS SUMMARY

The following table summarizes key operating and leasing statistics for all of our industrial properties as of and for the three and nine months ended September 30, 2003 (dollars in thousands):

	Quarter	Year-to-date
Square feet owned(1)(2)	83,301,317	83,301,317
Occupancy percentage(1)	92%	92%
Weighted average lease terms:		
Original	6.1 years	6.1 years
Remaining	3.2 years	3.2 years
Tenant retention	63.5%	64.3%
Same Space Leasing Activity(3):		
Rent decreases on renewals and rollovers	(15.1)%	(7.4)%
Same space square footage commencing (millions)	4.5	13.3
Second Generation Leasing Activity:		
Tenant improvements and leasing commissions per sq. ft.:		
Renewals	$ 1.38	$ 1.22
Re-tenanted	1.62	1.86
Weighted average	$ 1.53	$ 1.55
Square footage commencing (millions)	5.7	17.1

(1) Includes all consolidated industrial operating properties and excludes industrial development and renovation projects. Excludes retail and other properties' square feet of 548,243 with occupancy of 77.0%, and annualized base rent of $6.5 million.

(2) In addition to owned square feet as of September 30, 2003, we managed, through our subsidiary, AMB Capital Partners, LLC, approximately 0.5 million additional square feet of industrial, retail and other properties. We also have investments in approximately 7.9 million square feet of industrial operating properties through our investments in unconsolidated joint ventures.

(3) Consists of all second-generation leases renewing or re-tenanting with current and prior lease terms greater than one year.

The following summarizes key same store properties' operating statistics for our industrial properties as of and for the three and nine months ended September 30, 2003:

	Quarter	Year-to-date
Square feet in same store pool(1)	72,358,944	72,358,944
% of total industrial square feet	86.9%	86.9%
Occupancy percentage at period end:		
September 30, 2003	91.7%	91.7%
September 30, 2002	94.7%	94.7%
Tenant retention	63.6%	63.5%
Rent decreases on renewals and rollovers	(16.3)%	(8.0)%
Square feet leased (millions)	4.3	12.7
Growth % increase/(decrease) (excluding straight-line rents):		
Revenues	(5.7)%	(1.0)%
Expenses	0.2%	2.7%
Net operating income	(7.7)%	(2.2)%
Growth % increase/(decrease) (including straight-line rents):		
Revenues	(6.1)%	(1.8)%
Expenses	0.2%	2.7%
Net operating income	(8.2)%	(3.1)%

(1) The same store pool excludes properties purchased and developments stabilized after December 31, 2001.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Market risk is the risk of loss from adverse changes in market prices, interest rates and foreign exchange rates. Our future earnings and cash flows are dependent upon prevailing market rates. Accordingly, we manage our market risk by matching projected cash inflows from operating, investing and financing activities with projected cash outflows for debt service, acquisitions, capital expenditures, distributions to stockholders and unitholders, and other cash requirements. The majority of our outstanding debt has fixed interest rates, which minimizes the risk of fluctuating interest rates. Our exposure to market risk includes interest rate fluctuations in connection with our credit facilities and other variable rate borrowings and our ability to incur more debt without stockholder approval, thereby increasing our debt service obligations, which could adversely affect our cash flows. As of September 30, 2003, we had no interest rate caps or swaps. See "Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Resources — Market Capitalization."

The table below summarizes the market risks associated with our fixed and variable rated debt outstanding before unamortized debt premiums of $8.1 million as of September 30, 2003 (dollars in thousands):

	Expected Maturity Date						
	2003	2004	2005	2006	2007	Thereafter	Total
Fixed rate debt(1)	$24,583	$99,810	$353,303	$167,927	$132,674	$1,304,585	$2,082,882
Average interest rate	7.2%	7.9%	7.3%	7.3%	7.3%	7.1%	7.2%
Variable rate debt(2)	$ 321	$ 1,227	$ 94,287	$ 1,034	$ 6,989	$ 18,378	$ 122,236
Average interest rate	3.4%	3.4%	2.8%	3.3%	2.8%	3.2%	2.9%

(1) Represents 94.6% of all outstanding debt.

(2) Represents 5.4% of all outstanding debt.

If market rates of interest on our variable rate debt increased by 10% (or approximately 20 basis points), then the increase in interest expense on the variable rate debt would be $0.2 million annually. As of September 30, 2003, the estimated fair value of our fixed rate debt was $2,279.6 million based on our estimate of current market interest rates.

As of December 31, 2002 and 2001, variable rate debt comprised 9.3% and 8.8%, respectively, of all outstanding debt. Variable rate debt was $206.1 million and $187.9 million, respectively, as of December 31, 2002 and 2001. The decrease is due to a lower outstanding balance on our credit facility and the repayment of AMB Institutional Alliance Fund II, L.P.'s credit facility. This reduction in our outstanding variable rate debt reduces our risk associated with unfavorable interest rate fluctuations.

Financial Instruments. We record all derivatives on the balance sheet at fair value as an asset or liability, with an offset to accumulated other comprehensive income or income. For revenues or expenses denominated in non-functional currencies, we may use derivative financial instruments to manage foreign currency exchange rate risk. Our derivative financial instruments in effect at September 30, 2003, were a forward contract hedging against adverse foreign exchange fluctuations in the Mexican peso against the U.S. dollar and stock warrants obtained from tenants.

Related Derivatives (in thousands)	Carrying Amount	Fair Value
MXN/ USD Forward Contract (USD short):		
Expected Maturity March 30, 2004		
Contract Amount (MXN pesos)	$37,201	
Forward Exchange Rate	10.86	
Contract Amount (USD Dollars)	$ 3,426	
Fair Value at September 30, 2003		$3,310

Foreign Operations. The U.S. dollar is the functional currency for our subsidiaries operating in the United States and Mexico. The functional currency for our subsidiaries operating outside North America is generally the local currency of the country in which the entity is located, mitigating the effect of foreign exchange gains and losses. Our subsidiaries whose functional currency is not the U.S. dollar translate their financial statements into U.S. dollars. Assets and liabilities are translated at the exchange rate in effect as of the financial statement date. We translate income statement accounts using the average exchange rate for the period and significant nonrecurring transactions using the rate on the transaction date. Gains resulting from the translation are included in accumulated other comprehensive income as a separate component of stockholders' equity and totaled $0.3 million for the nine months ended September 30, 2003.

Our foreign subsidiaries may have transactions denominated in currencies other than their functional currency. In these instances, non-monetary assets and liabilities are reflected at the historical exchange rate, monetary assets and liabilities are remeasured at the exchange rate in effect at the end of the period and income statement accounts are remeasured at the average exchange rate for the period. For the nine months ended September 30, 2003, losses from remeasurement included in our results of operations totaled $0.1 million.

We also record gains or losses in the income statement when a transaction with a third party, denominated in a currency other than the entity's functional currency, is settled and the functional currency cash flows realized are more or less than expected based upon the exchange rate in effect when the transaction was initiated.

Item 4. *Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our

management, including our chief executive officer, president and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities, which are accounted for using the equity method of accounting. As we do not control or manage these entities, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer, president and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our chief executive officer, president and chief financial officer each concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. *Legal Proceedings*

As of September 30, 2003, there were no pending legal proceedings to which we are a party or of which any of our properties is the subject, the adverse determination of which we anticipate would have a material adverse effect upon our financial condition and results of operations.

Item 2. *Changes in Securities and Use of Proceeds*

None.

Item 3. *Defaults Upon Senior Securities*

None.

Item 4. *Submission of Matters to a Vote of Security Holders*

None.

Item 5. *Other Information*

BUSINESS RISKS

Our operations involve various risks that could have adverse consequences to us. These risks include, among others:

General Real Estate Risks

Our performance and value are subject to general economic conditions and risks associated with our real estate assets.

The yields available from equity investments in real estate depend on the amount of income earned and capital appreciation generated by the properties, as well as the expenses incurred in connection with the properties. If our properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, then our ability to pay dividends to our stockholders could be adversely affected. In addition, there are significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) that generally do not decline when circumstances reduce the income from the property. Income from, and the value of, our properties may be adversely affected by:

- changes in the general economic climate;
- local conditions, such as oversupply of or a reduction in demand for industrial space;
- the attractiveness of our properties to potential customers;
- competition from other properties;
- our ability to provide adequate maintenance and insurance;
- increased operating costs;
- increased cost of compliance with regulations; and
- the potential for liability under applicable laws (including changes in tax laws).

In addition, periods of economic slowdown or recession in the United States and in other countries, rising interest rates or declining demand for real estate, or public perception that any of these events may occur, would result in a general decrease in rents or an increased occurrence of defaults under existing leases, which

would adversely affect our financial condition and results of operations. Future terrorist attacks may result in declining economic activity, which could reduce the demand for and the value of our properties. To the extent that future attacks impact our customers, their businesses similarly could be adversely affected, including their ability to continue to honor their existing leases.

Our properties are concentrated predominantly in the industrial real estate sector. As a result of this concentration, we would feel the impact of an economic downturn in this sector more acutely than if our portfolio included other property types.

We may be unable to renew leases or relet space as leases expire.

As of September 30, 2003, leases on a total of 3.4% of our industrial properties (based on annualized base rent) will expire on or prior to December 31, 2003. We derive most of our income from rent received from our tenants. Accordingly, our financial condition, results of operations, cash flow and our ability to pay dividends on, and the market price of, our stock could be adversely affected if we are unable to promptly relet or renew these expiring leases, if the rental rates upon renewal or reletting are significantly lower than expected, or if our reserves for these purposes prove inadequate. If a tenant experiences a downturn in its business or other type of financial distress, then it may be unable to make timely rental payments or renew its lease. Further, our ability to rent space and the rents that we can charge are impacted, not only by customer demand, but by the number of other properties we have to compete with to appeal to tenants.

Real estate investments are relatively illiquid, making it difficult for us to respond promptly to changing conditions.

Real estate assets are not as liquid as other types of assets. Further, as a real estate investment trust, the Internal Revenue Code regulates the number of properties that we can dispose of in a year, their tax bases and the cost of improvements that we make to the properties. These limitations may affect our ability to sell properties. This lack of liquidity and the Internal Revenue Code restrictions may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions and, as a result, could adversely affect our financial condition, results of operations, cash flow and our ability to pay dividends on, and the market price of, our stock.

We may be unable to consummate acquisitions on advantageous terms or acquisitions may not perform as we expect.

We acquire and intend to continue to acquire primarily industrial properties. The acquisition of properties entails various risks, including the risks that our investments may not perform as we expect, that we may be unable to quickly and efficiently integrate our new acquisitions into our existing operations and that our cost estimates for bringing an acquired property up to market standards may prove inaccurate. Further, we face significant competition for attractive investment opportunities from other well-capitalized real estate investors, including both publicly-traded real estate investment trusts and private institutional investment funds. This competition increases as investments in real estate become increasingly attractive relative to other forms of investment. As a result of competition, we may be unable to acquire additional properties as we desire or the purchase price may be significantly elevated. In addition, we expect to finance future acquisitions through a combination of borrowings under our unsecured credit facility, proceeds from equity or debt offerings by us or the operating partnership or its subsidiaries and proceeds from property divestitures, which may not be available and which could adversely affect our cash flow. Any of the above risks could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock.

We may be unable to complete renovation and development projects on advantageous terms.

As part of our business, we develop new and renovate existing properties. The real estate development and renovation business involves significant risks that could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock, which include:

- we may not be able to obtain financing for development projects on favorable terms and complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing the properties and generating cash flow;

- we may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations;

- the properties may perform below anticipated levels, producing cash flow below budgeted amounts;

- substantial renovation and new development activities, regardless of their ultimate success, typically require a significant amount of management's time and attention, diverting their attention from our day-to-day operations; and

- upon completion of construction, we may not be able to obtain, or obtain on advantageous terms, permanent financing for activities that we have financed through construction loans.

Our performance and value are impacted by the local economic conditions of and the risks associated with doing business in California.

As of September 30, 2003, our industrial properties located in California represented 28.8% of the aggregate square footage of our industrial operating properties and 31.9% of our industrial annualized base rent. Our revenue from, and the value of, our properties located in California may be affected by local real estate conditions (such as an oversupply of or reduced demand for industrial properties) and the local economic climate. Business layoffs, downsizing, industry slowdowns, changing demographics, and other factors may adversely impact California's economic climate. Because of the number of properties we have located in California, a downturn in California's economy or real estate conditions could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock. In addition, certain of our properties are subject to possible loss from seismic activity.

We may experience losses that our insurance does not cover.

We carry commercial liability, property and rental loss insurance covering all the properties that we own and manage in types and amounts that we believe are adequate and appropriate given the relative risks applicable to the property, the cost of coverage and industry practice. Certain losses, such as those due to terrorism, windstorms, floods or seismic activity, may be insured subject to certain limitations, including large deductibles or co-payments and policy limits. Although we have obtained coverage for certain acts of terrorism, with policy specifications and insured limits that we consider commercially reasonable given the cost and availability of such coverage, we cannot be certain that we will be able to renew coverage on comparable terms or collect under such policies. In addition, there are other types of losses, such as those from riots, bio-terrorism, or acts of war, that are not generally insured in our industry because it is not economically feasible to do so. We may incur material losses in excess of insurance proceeds and we may not be able to continue to obtain insurance at commercially reasonable rates. If we experience a loss that is uninsured or that exceeds our insured limits with respect to one or more of our properties, then we could lose the capital invested in the damaged properties, as well as the anticipated future revenue from those properties and, if there is recourse debt, then we would remain obligated for any mortgage debt or other financial obligations related to the properties. Moreover, as the general partner of the operating partnership, we generally will be liable for all of the operating partnership's unsatisfied recourse obligations, including any obligations incurred by the operating partnership as the general partner of co-investment joint ventures. Any such losses could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock.

A number of our properties are located in areas that are known to be subject to earthquake activity, including California where, as of September 30, 2003, we had 288 industrial buildings, aggregating approximately 24.0 million square feet and representing 28.8% of our industrial operating properties based on aggregate square footage and 31.9% based on industrial annualized base rent. We carry replacement-cost earthquake insurance on all of our properties located in areas historically subject to seismic activity, subject to coverage limitations and deductibles that we believe are commercially reasonable. We evaluate our earthquake insurance coverage annually in light of current industry practice through an analysis prepared by outside consultants.

We are subject to risks and liabilities in connection with properties owned through joint ventures, limited liability companies and partnerships.

As of September 30, 2003, we owned approximately 45.7 million square feet of our properties through several joint ventures, limited liability companies or partnerships with third parties. Our organizational documents do not limit the amount of available funds that we may invest in partnerships, limited liability companies or joint ventures and we intend to continue to develop and acquire properties through joint ventures, limited liability companies and partnerships with other persons or entities when warranted by the circumstances. Such partners may share certain approval rights over major decisions. Partnership, limited liability company or joint venture investments involve certain risks, including:

- if our partners, co-members or joint venturers go bankrupt, then we and any other remaining general partners, members, or joint venturers would generally remain liable for the partnership’s, limited liability company’s, or joint venture’s liabilities;

- our partners, co-members or joint venturers might have economic or other business interests or goals that are inconsistent with our business interests or goals that would affect our ability to operate the property;

- our partners, co-members or joint venturers may have the power to act contrary to our instructions, requests, policies, or objectives, including our current policy with respect to maintaining our qualification as a real estate investment trust; and

- the joint venture, limited liability and partnership agreements often restrict the transfer of a joint venturer’s, member’s or partner’s interest or “buy-sell” or may otherwise restrict our ability to sell the interest when we desire or on advantageous terms.

We generally seek to maintain sufficient control of our partnerships, limited liability companies, and joint ventures to permit us to achieve our business objectives, however, we may not be able to do so, and the occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock.

We may be unable to complete divestitures on advantageous terms or contribute properties.

We intend to continue to divest ourselves of retail centers and industrial properties that do not meet our strategic objectives, provided that we can negotiate acceptable terms and conditions. Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties. If we are unable to dispose of properties on favorable terms or redeploy the proceeds of property divestitures in accordance with our investment strategy, then our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock could be adversely affected.

We also anticipate contributing or selling properties to funds and joint ventures. If we do not have sufficient properties available that meet the investment criteria of current or future property funds, or if the funds have reduced or no access to capital on favorable terms, then such contributions or sales could be delayed or prevented, adversely affecting our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock.

Contingent or unknown liabilities could adversely affect our financial condition.

At the time of our formation we acquired assets from our predecessor entities subject to all of their potential existing liabilities, without recourse. In addition, we have and may in the future acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of any of these entities or properties, then we might have to pay substantial sums to settle it, which could adversely affect our cash flow. Unknown liabilities with respect to entities or properties acquired might include:

- liabilities for clean-up or remediation of undisclosed environmental conditions;
- claims of customers, vendors or other persons dealing with our predecessors prior to the formation transactions or the former owners of the properties;
- accrued but unpaid liabilities incurred in the ordinary course of business;
- tax liabilities; and
- claims for indemnification by the general partners, officers and directors and others indemnified by our predecessors or the former owners of the properties.

Risks Associated With Our International Business

Our international growth is subject to special risks and we may not be able to effectively manage our international growth.

We have acquired and developed, and expect to continue to acquire and develop, properties in foreign countries. Because local markets affect our operations, our international investments are subject to economic fluctuations in the foreign locations in which we invest. In addition, our international operations are subject to the usual risks of doing business abroad such as revisions in tax treaties or other laws governing the taxation of our foreign revenues, restrictions on the transfer of funds, and, in certain parts of the world, property rights uncertainty and political instability. We cannot predict the likelihood that any of these developments may occur. Further, we have entered, and may in the future enter, into agreements with non-U.S. entities that are governed by the laws of, and are subject to dispute resolution in, the courts of another country or region. We cannot accurately predict whether such a forum would provide us with an effective and efficient means of resolving disputes that may arise. And even if we are able to obtain a satisfactory decision through arbitration or a court proceeding, we could have difficulty enforcing any award or judgment on a timely basis.

Further, our business has grown rapidly and continues to grow through international property acquisitions and developments. If we fail to effectively manage our international growth, then our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock could be adversely affected.

Acquired properties may be located in new markets, where we may face risks associated with investing in an unfamiliar market.

We have acquired and may continue to acquire properties in international markets that are new to us. When we acquire properties located in these markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. We work to mitigate such risks through extensive diligence and research and associations with experienced partners, however there can be no guarantee that all such risks will be eliminated.

We are subject to risks from potential fluctuations in exchange rates between the U.S. dollar and the currencies of the foreign countries in which we invest.

We are pursuing, and intend to continue to pursue, growth opportunities in international markets. As we invest in countries where the U.S. dollar is not the national currency, we are subject to foreign currency risks

from the potential fluctuations in exchange rates between the U.S. dollar and the currencies of the foreign countries in which we invest. A significant depreciation in the value of the currency of one or more foreign countries where we have a significant investment may materially affect our results of operations. We attempt to mitigate any such effects by borrowing under our multi-currency credit facility in the foreign currency of the country we are investing in and by putting in place foreign currency put option contracts. For leases denominated in foreign currencies, we may, but might not, use derivative financial instruments to manage the foreign exchange risk. We cannot, however, assure you that our efforts will successfully neutralize all foreign currency risks.

Debt Financing Risks

We could incur more debt, increasing our debt service.

It is our policy to incur debt, either directly or through our subsidiaries, only if it will not cause our share of debt-to-total market capitalization ratio to exceed approximately 45%. The aggregate amount of indebtedness that we may incur under our policy increases directly with an increase in the market price per share of our capital stock. Further, our management could alter or eliminate this policy without stockholder approval. If we change this policy, then we could become more highly leveraged, resulting in an increase in debt service that could adversely affect the cash available for distribution to our stockholders.

We face risks associated with the use of debt to fund acquisitions and developments, including refinancing risk.

As of September 30, 2003, we had total debt outstanding of $2.2 billion. In addition, we guarantee the operating partnership’s obligations with respect to the senior debt securities referenced in our financial statements. We are subject to risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. We anticipate that we will repay only a small portion of the principal of our debt prior to maturity. Accordingly, we will likely need to refinance at least a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of our existing debt. If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds of other capital transactions, then we expect that our cash flow will not be sufficient in all years to pay dividends to our stockholders and to repay all such maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase.

In addition, if we mortgage one or more of our properties to secure payment of indebtedness and we are unable to meet mortgage payments, then the property could be foreclosed upon or transferred to the mortgagee with a consequent loss of income and asset value. A foreclosure on one or more of our properties could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock.

We are dependent on external sources of capital.

In order to qualify as a real estate investment trust, we are required each year to distribute to our stockholders at least 90% of our real estate investment trust taxable income (determined without regard to the dividends-paid deduction and by excluding any net capital gain) and are taxed on our income to the extent it is not fully distributed. Consequently, we may not be able to fund all future capital needs, including acquisition and development activities, from cash retained from operations and must rely on third-party sources of capital. Our ability to access private debt and equity capital on favorable terms or at all is dependent upon a number of factors, including, general market conditions, the market’s perception of our growth potential, our current and potential future earnings and cash distributions and the market price of our capital stock.

Covenants in our debt agreements could adversely affect our financial condition.

The terms of our credit agreements and other indebtedness require that we comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. These covenants may limit flexibility in our operations, and our failure to comply with these covenants could cause a default under the applicable debt agreement even if we have satisfied our payment obligations. Further, as of September 30, 2003, we had 34 non-recourse secured loans that are cross-collateralized by 72 properties, totaling $820.5 million (not including unamortized debt premium). If we default on any of these loans, we may then be required to repay such indebtedness, together with applicable prepayment charges, to avoid foreclosure on all the cross-collateralized properties within the applicable pool. Foreclosure on our properties, or our inability to refinance our loans on favorable terms, could adversely impact our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock. In addition, our credit facilities and senior debt securities contain certain cross-default provisions, which are triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure the credit facilities and the senior debt securities in addition to any mortgage or other debt that is in default, which could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock.

Conflicts of Interest Risks

Some of our directors and executive officers are involved in other real estate activities and investments.

Some of our executive officers and directors own interests in real estate-related businesses and investments that they acquired prior to our initial public offering in 1997. These interests include minority ownership interests in Institutional Housing Partners, L.P., a residential housing finance company (Messrs. Burke and Moghadam) and Aspire Development, Inc. and Aspire Development, L.P., developers of properties not within our investment criteria (Messrs. Belmonte, Burke and Moghadam). Our executive officers' continued involvement in other real estate-related activities could divert their attention from our day-to-day operations. Our executive officers have entered into non-competition agreements with us pursuant to which they have agreed not to engage in any activities, directly or indirectly, in respect of commercial real estate, and not to make any investment in respect of any industrial or retail real estate, other than through ownership of not more than 5% of the outstanding shares of a public company engaged in such activities or through the existing investments referred to in this report. State law may limit our ability to enforce these agreements.

Certain of our executive officers and directors may have conflicts of interest with us in connection with other properties that they own or control.

As of September 30, 2003, Aspire Development, L.P. owned interests in three retail development projects in the U.S., which are individually less than 15,000 feet. In addition, Messrs. Moghadam and Burke, each a founder and director, own less than 1% interests in two partnerships that own office buildings in various markets; these interests have negligible value. Luis A. Belmonte, an executive officer, owns less than a 10% interest, representing an estimated value of $150,000, in a limited partnership, which owns an office building located in Oakland, California.

In addition, several of our executive officers individually own:

- less than 1% interests in the stocks of certain publicly-traded real estate investment trusts; and

- certain other de minimus holdings in equity securities of real estate companies.

Thomas W. Tusher, a member of our board of directors and chair of the board's compensation committee, is a limited partner in a venture in which Messrs. Moghadam and Burke are two of three members in the controlling general partner. The venture owns an office building. Mr. Tusher owns a 20% interest in the venture and Messrs. Moghadam and Burke each have a 26.7% interest in the venture. These interests in the venture have negligible value. The venture was formed in 1985, prior to the time of our initial public offering. The property and asset management of the office building has recently been transferred from us to a third

party. We are still involved in certain transitional matters relating to the property, including certain matters relating to the financing thereof.

We believe that the properties and activities set forth above generally do not directly compete with any of our properties. However, it is possible that a property in which an executive officer or director, or an affiliate of an executive officer or director, has an interest may compete with us in the future if we were to invest in a property similar in type and in close proximity to that property. In addition, our executive officers' and directors' continued involvement in these properties could divert management's attention from our day-to-day operations. We will not acquire any properties from our executive officers, directors or their affiliates unless the transaction is approved by a majority of the disinterested and independent (as defined by the rules of the New York Stock Exchange) members of our board of directors with respect to that transaction.

Our role as general partner of the operating partnership may conflict with the interests of our stockholders.

As the general partner of the operating partnership, we have fiduciary obligations to the operating partnership's limited partners, the discharge of which may conflict with the interests of our stockholders. In addition, those persons holding limited partnership units will have the right to vote as a class on certain amendments to the operating partnership's partnership agreement and individually to approve certain amendments that would adversely affect their rights. The limited partners may exercise these voting rights in a manner that conflicts with the interests of our stockholders. In addition, under the terms of the operating partnership's partnership agreement, holders of limited partnership units will have certain approval rights with respect to certain transactions that affect all stockholders but which they may not exercise in a manner that reflects the interests of all stockholders.

Risks Associated with Government Regulations

Compliance or failure to comply with the Americans with Disabilities Act and other similar regulations could result in substantial costs.

Under the Americans with Disabilities Act, places of public accommodation must meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If we are required to make unanticipated expenditures to comply with the Americans with Disabilities Act, including removing access barriers, then our cash flow and the amounts available for dividends to our stockholders may be adversely affected. Our properties are also subject to various federal, state and local regulatory requirements, such as state and local fire and life-safety requirements. We could incur fines or private damage awards if we fail to comply with these requirements. While we believe that our properties are currently in material compliance with these regulatory requirements, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures by us that will affect our cash flow and results of operations.

The costs of compliance with environmental laws and regulations could exceed our budgets for these items.

Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the costs of investigation, removal or remediation of certain hazardous or toxic substances or petroleum products at, on, under or in its property. The costs of removal or remediation of such substances could be substantial. These laws typically impose liability and clean-up responsibility without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, property damage, or other costs, including investigation and clean-up costs, resulting from the environmental contamination.

Environmental laws also require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of our properties may contain asbestos-containing building materials.

In addition, some of our properties are leased or have been leased, in part, to owners and operators of businesses that use, store, or otherwise handle petroleum products or other hazardous or toxic substances, creating a potential for the release of such hazardous or toxic substances. Further, certain of our properties are on, adjacent to or near other properties that have contained or currently contain petroleum products or other hazardous or toxic substances, or upon which others have engaged, are engaged or may engage in activities that may release such hazardous or toxic substances. From time to time, we may acquire properties, or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a superior risk-adjusted return. In such an instance, we underwrite the costs of environmental investigation, clean-up and monitoring into the acquisition cost and obtain appropriate environmental insurance for the property. Further, in connection with certain divested properties, we have agreed to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties.

At the time of acquisition, we subject all of our properties to a Phase I or similar environmental assessments by independent environmental consultants and we may have additional Phase II testing performed upon consultant’s recommendation. These environmental assessments have not revealed, and we are not aware of, any environmental liability that we believe would have a material adverse effect on our financial condition or results of operations taken as a whole. Nonetheless, it is possible that the assessments did not reveal all environmental liabilities and that there are material environmental liabilities unknown to us, or that known environmental conditions may give rise to liabilities that are greater than we anticipated. Further, our properties’ current environmental condition may be affected by customers, the condition of land, operations in the vicinity of the properties (such as releases from underground storage tanks), or by unrelated third parties. If the costs of compliance with existing or future environmental laws and regulations exceed our budgets for these items, then our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock could be adversely affected.

Federal Income Tax Risks

Our failure to qualify as a real estate investment trust would have serious adverse consequences to our stockholders.

We elected to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code commencing with our taxable year ended December 31, 1997. We currently intend to operate so as to qualify as a real estate investment trust under the Internal Revenue Code and believe that our current organization and method of operation comply with the rules and regulations promulgated under the Internal Revenue Code to enable us to continue to qualify as a real estate investment trust. However, it is possible that we have been organized or have operated in a manner that would not allow us to qualify as a real estate investment trust, or that our future operations could cause us to fail to qualify. Qualification as a real estate investment trust requires us to satisfy numerous requirements (some on an annual and others on a quarterly basis) established under highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. For example, in order to qualify as a real estate investment trust, we must derive at least 95% of our gross income in any year from qualifying sources. In addition, we must pay dividends to stockholders aggregating annually at least 90% of our real estate investment trust taxable income (determined without regard to the dividends paid deduction and by excluding capital gains) and must satisfy specified asset tests on a quarterly basis. These provisions and the applicable treasury regulations are more complicated in our case because we hold our assets through the operating partnership.

Legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a real estate investment trust or the federal income tax consequences of such qualification. However, we are not aware of any pending tax legislation that would adversely affect our ability to operate as a real estate investment trust.

If we fail to qualify as a real estate investment trust in any taxable year, then we will be required to pay federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Unless we are entitled to relief under certain statutory provisions, we would be disqualified from treatment as a real estate investment trust for the four taxable years following the year in which we lost qualification. If we lose our real estate investment trust status, then our net earnings available for investment or distribution to stockholders would be significantly reduced for each of the years involved. In addition, we would no longer be required to make distributions to our stockholders.

Certain property transfers may generate prohibited transaction income, resulting in a penalty tax on gain attributable to the transaction.

From time to time, we may transfer or otherwise dispose of some of our properties. Under the Internal Revenue Code, any gain resulting from transfers of properties that we hold as inventory or primarily for sale to customers in the ordinary course of business would be treated as income from a prohibited transaction. We would be required to pay a 100% penalty tax on that income. Since we acquire properties for investment purposes, we believe that any transfer or disposal of property by us would not be deemed by the Internal Revenue Service to be a prohibited transaction with any resulting gain allocable to us being subject to a 100% penalty tax. However, whether property is held for investment purposes is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service may contend that certain transfers or disposals of properties by us are prohibited transactions. While we believe that the Internal Revenue Service would not prevail in any such dispute, if the IRS were to argue successfully that a transfer or disposition of property constituted a prohibited transaction, then we would be required to pay a 100% penalty tax on any gain allocable to us from the prohibited transaction. In addition, any income from a prohibited transaction may adversely affect our ability to satisfy the income tests for qualification as a real estate investment trust for federal income tax purposes.

Risks Associated With Our Dependence on Key Personnel

We depend on the efforts of our executive officers. While we believe that we could find suitable replacements for these key personnel, the loss of their services or the limitation of their availability could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock. We do not have employment agreements with any of our executive officers.

Risks Associated with Ownership of Our Stock

Limitations in our charter and bylaws could prevent a change in control.

Certain provisions of our charter and bylaws may delay, defer, or prevent a change in control or other transaction that could provide the holders of our common stock with the opportunity to realize a premium over the then-prevailing market price for the common stock. To maintain our qualification as a real estate investment trust for federal income tax purposes, not more than 50% in value of our outstanding stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year after the first taxable year for which a real estate investment trust election is made. Furthermore, our common stock must be held by a minimum of 100 persons for at least 335 days of a 12-month taxable year (or a proportionate part of a short tax year). In addition, if we, or an owner of 10% or more of our stock, actually or constructively owns 10% or more of one of our customers (or a tenant of any partnership in which we are a partner), then the rent received by us (either directly or through any such partnership) from that tenant will not be qualifying income for purposes of the real estate investment trust gross income tests of the Internal Revenue Code. To help us maintain our qualification as a real estate investment trust for federal income tax purposes, we prohibit the ownership, actually or by virtue of

the constructive ownership provisions of the Internal Revenue Code, by any single person of more than 9.8% (by value or number of shares, whichever is more restrictive) of the issued and outstanding shares of our common stock or of the issued and outstanding shares of our Series L preferred stock, and we also prohibit the ownership, actually or constructively, of any shares of our other preferred stock by any single person so that no such person, taking into account all of our stock so owned by such person, may own in excess of 9.8% of our issued and outstanding capital stock. We refer to this limitation as the “ownership limit”. Shares acquired or held in violation of the ownership limit will be transferred to a trust for the benefit of a designated charitable beneficiary. Any person who acquires shares in violation of the ownership limit will not be entitled to any dividends on the shares or be entitled to vote the shares or receive any proceeds from the subsequent sale of the shares in excess of the lesser of the price paid for the shares or the amount realized from the sale. A transfer of shares in violation of the above limits may be void under certain circumstances. The ownership limit may have the effect of delaying, deferring, or preventing a change in control and, therefore, could adversely affect our stockholders’ ability to realize a premium over the then-prevailing market price for the shares of our common stock in connection with such transaction.

Our charter authorizes us to issue additional shares of common and preferred stock and to establish the preferences, rights and other terms of any series or class of preferred stock that we issue. Although our board of directors has no intention to do so at the present time, it could establish a series or class of preferred stock that could have the effect of delaying, deferring, or preventing a transaction, including a change in control, that might involve a premium price for the common stock or otherwise be in the best interests of our stockholders.

Our charter and bylaws and Maryland law also contain other provisions that may impede various actions by stockholders without approval of our board of directors, which in turn may delay, defer, or prevent a transaction, including a change in control. Those provisions in our charter and bylaws include:

- directors may be removed only for cause and only upon a two-thirds vote of stockholders;
- our board can fix the number of directors within set limits (which limits are subject to change by our board), and fill vacant directorships upon the vote of a majority of the remaining directors, even though less than a quorum, or in the case of a vacancy resulting from an increase in the size of the board, a majority of the entire board;
- stockholders must give advance notice to nominate directors or propose business for consideration at a stockholders’ meeting; and
- the request of the holders of 50% or more of our common stock is necessary for stockholders to call a special meeting.

Those provisions provided for under Maryland law include:

- a two-thirds vote of stockholders is required to amend our charter; and
- stockholders may only act by written consent with the unanimous approval of all stockholders entitled to vote on the matter in question.

In addition, our board could elect to adopt, without stockholder approval, certain other provisions under Maryland law that may impede a change in control.

Various market conditions affect the price of our stock.

As with other publicly-traded equity securities, the market price of our stock will depend upon various market conditions that are not within our control and may change from time to time, including:

- the extent of investor interest in us;
- the general reputation of real estate investment trusts and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies);

- general stock and bond market conditions, including changes in interest rates on fixed income securities, that may lead prospective purchasers of our stock to demand a higher annual yield from future dividends; and
- terrorist activity may adversely affect the markets in which our securities trade, possibly increasing market volatility and causing the further erosion of business and consumer confidence and spending.

Other factors such as governmental regulatory action and changes in tax laws could also have a significant impact on the future market price of our stock.

Earnings and cash dividends, asset value and market interest rates affect the price of our stock.

As a real estate investment trust the market value of our equity securities, in general, is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash dividends. Our equity securities' market value is based secondarily upon the market value of our underlying real estate assets. For this reason, shares of our stock may trade at prices that are higher or lower than our net asset value per share. To the extent that we retain operating cash flow for investment purposes, working capital reserves, or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our stock. Our failure to meet the market's expectations with regard to future earnings and cash dividends likely would adversely affect the market price of our stock. Further, the distribution yield on the stock (as a percentage of the price of the stock) relative to market interest rates may also influence the price of our stock. An increase in market interest rates might lead prospective purchasers of our stock to expect a higher distribution yield, which would adversely affect our stock's market price. Additionally, if the market price of our stock declines significantly, then we might breach certain covenants with respect to our debt obligations, which could adversely affect our liquidity and ability to make future acquisitions and our ability to pay dividends to our stockholders.

If we issue additional securities, then the investment of existing stockholders will be diluted.

We have authority to issue shares of common stock or other equity or debt securities, and to cause the operating partnership to issue limited partnership units, in exchange for property or otherwise. Existing stockholders have no preemptive right to acquire any additional securities issued by the operating partnership or us and any issuance of additional equity securities could result in dilution of an existing stockholder's investment.

We could change our investment and financing policies without a vote of stockholders.

Subject to our current investment policy to maintain our qualification as a real estate investment trust (unless a change is approved by our board of directors under certain circumstances), our board of directors determines our investment and financing policies, our growth strategy and our debt, capitalization, distribution and operating policies. Although our board of directors does not presently intend to revise or amend these strategies and policies, they may do so at any time without a vote of stockholders. Any such changes may not serve the interests of all stockholders and could adversely affect our financial condition or results of operations, including our ability to pay dividends to our stockholders.

Shares available for future sale could adversely affect the market price of our common stock.

The operating partnership had 4,618,242 common limited partnership units issued and outstanding as of September 30, 2003, which may be exchanged generally one year after their issuance on a one-for-one basis into shares of our common stock. In the future, the operating partnership may issue additional limited partnership units, and we may issue shares of common stock, in connection with the acquisition of properties or in private placements. These shares of common stock and the shares of common stock issuable upon exchange of limited partnership units may be sold in the public securities markets over time, pursuant to registration rights that we have granted, or may grant in connection with future issuances, or pursuant to Rule 144. In addition, common stock issued under our stock option and incentive plans may also be sold in the market pursuant to registration statements that we have filed or pursuant to Rule 144. As of September 30,

2003, under our stock option and incentive plans, we had reserved 16,873,213 shares of common stock for issuance (not including shares that we have already issued), had granted options to purchase 10,389,462 shares of common stock (excluding forfeitures and 1,112,208 shares that we have issued upon the exercise of options) and had granted 964,579 restricted shares of common stock (excluding 51,852 shares that have been forfeited). Future sales of a substantial number of shares of our common stock in the market or the perception that such sales might occur could adversely affect the market price of our common stock. Further, the existence of the operating partnership's limited partnership units and the shares of our common stock reserved for issuance upon exchange of limited partnership units and the exercise of options, and registration rights referred to above, may adversely affect the terms upon which we are able to obtain additional capital through the sale of equity securities.

Item 6. *Exhibits and Reports on Form 8-K*

(a) *Exhibits:*

Exhibit Number	Description
4.1	$75,000,000 5.53% Fixed Rate Note No. B-1 dated November 10, 2003, attaching the Form of Parent Guarantee dated November 10, 2003.
10.1	Note Purchase Agreement dated as of November 5, 2003, by and between AMB Property, L.P. and Teachers Insurance and Annuity Association of America (incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on November 6, 2003).
10.2	Agreement of Sale, made as of October 6, 2003, by and between AMB Property, L.P., International Airport Centers L.L.C. and certain affiliated entities (incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K filed on November 6, 2003).
31.1	Rule 13a-14 (a)/15d-14 (a) Certifications dated November 13, 2003.
32.1	18 U.S.C. § 1350 Certifications dated November 13, 2003. The certifications in this exhibit are being furnished solely to accompany this report pursuant to 18 U.S.C. § 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any of our filings, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

(b) *Reports on Form 8-K:*

AMB Property Corporation filed a Current Report on Form 8-K on October 7, 2003, in connection with its announcement of new dates for its third quarter 2003 earnings release.

AMB Property Corporation filed a Current Report on Form 8-K on October 29, 2003, in connection with its third quarter 2003 earnings release.

AMB Property Corporation filed a Current Report on Form 8-K on November 6, 2003, in connection with the issuance of $75.0 million in senior unsecured notes by AMB Property, L.P. under its medium-term note program.

AMB Property Corporation filed a Current Report on Form 8-K on November 12, 2003, in connection with the offering of its 6 3/4% Series M Cumulative Redeemable Preferred Stock.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMB PROPERTY CORPORATION

Registrant

By: /s/ HAMID R. MOGHADAM

Hamid R. Moghadam
Chairman of the Board and
Chief Executive Officer
(Duly Authorized Officer and
Principal Executive Officer)

By: /s/ W. BLAKE BAIRD

W. Blake Baird
President and Director
(Duly Authorized Officer)

By: /s/ MICHAEL A. COKE

Michael A. Coke
Chief Financial Officer and
Executive Vice President
(Duly Authorized Officer and Principal
Financial and Accounting Officer)

Date: November 13, 2003

EXHIBIT INDEX

Exhibit Number	Description
4.1	$75,000,000 5.53% Fixed Rate Note No. B-1 dated November 10, 2003, attaching the Form of Parent Guarantee dated November 10, 2003.
10.1	Note Purchase Agreement dated as of November 5, 2003, by and between AMB Property, L.P. and Teachers Insurance and Annuity Association of America (incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on November 6, 2003).
10.2	Agreement of Sale, made as of October 6, 2003, by and between AMB Property, L.P., International Airport Centers L.L.C. and certain affiliated entities (incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K filed on November 6, 2003).
31.1	Rule 13a-14 (a)/15d-14 (a) Certifications dated November 13, 2003.
32.1	18 U.S.C. § 1350 Certifications dated November 13, 2003. The certifications in this exhibit are being furnished solely to accompany this report pursuant to 18 U.S.C. § 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any of our filings, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 4.1

(FACE OF NOTE)

AMB PROPERTY L.P.
MEDIUM-TERM NOTE, SERIES B
REGISTERED (FIXED RATE) REGISTERED

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE OPERATING PARTNERSHIP (AS DEFINED BELOW) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Note No: FXR - B-1

Original Issue Date: November 10, 2003

Maturity Date: November 1, 2013

Trade Date: November 5, 2003

Exchange Rate Agent:
(if other than State Street Bank and Trust Company of California, N.A.)

Redemption:

[x] The Note cannot be redeemed prior to maturity
[ ] The Note may be redeemed at the option of the Operating Partnership prior to maturity
Redemption Commencement Date:
Initial Redemption Percentage: %
Annual Redemption Percentage Reduction: %

Addendum Attached: [ ] Yes [x] No

CUSIP NO.: 00163X AH3

Registered Holder: CEDE & CO.

Form: [x] Book-Entry
[ ] Certificated

Agent's Discount or Commission: N/A%

Net Proceeds To Issuer: $75,000,000

Interest Rate: 5.53% per annum

Repayment:

[x] The Note cannot be repaid prior to maturity
[ ] The Note may be repaid prior to maturity at the option of the Holder of the Note
Optional Repayment Date(s):
Repayment Price: %

Principal Amount: $75,000,000

Specified Currency: U.S. DOLLARS

Principal Financial Center:
(if the Specified Currency is other than U.S. dollars or Euro)

Authorized Denomination:
(if other than $1,000 or integral multiples thereof)

Interest Payment Dates: November 1 and May 1, commencing May 1, 2004

Regular Record Dates: October 15 and April 15, commencing April 15, 2004

Discount Notes: [ ] Yes [x] No

Issue Price:

Total Amount of OID:

Yield to Maturity:

Initial Accrual Period:

Other/Additional Provisions:

AMB Property, L.P., a Delaware limited partnership (hereinafter called the "Operating Partnership", which term includes any successor under the Indenture referred to below), for value received, hereby promises to pay to the Registered Holder specified on the face hereof, or registered assigns ("Holder"), upon presentation and surrender of this Note, on the Maturity Date specified on the face hereof (except to the extent repaid or redeemed prior to the Maturity Date) the Principal Amount specified on the face hereof in the Specified Currency specified on the face hereof, and to pay interest thereon at the Interest Rate per annum specified on the face hereof, until the principal hereof is paid or duly made available for payment.

Unless otherwise specified on the face hereof, the Operating Partnership will pay interest (other than defaulted interest) on each Interest Payment Date (as defined below), commencing with the first Interest Payment Date next succeeding the Original Issue Date specified on the face hereof, to the person who is the Holder of this Note on the applicable Regular Record Date (as defined below); provided that if the Original Issue Date occurs between a Regular Record Date and an Interest Payment Date, the Operating Partnership will make the first payment of interest on the Interest Payment Date following the next Regular Record Date to the registered owner on that Regular Record Date.

The Operating Partnership will pay interest due on the Maturity Date, Redemption Date (as defined on the reverse hereof) or Repayment Date (as defined on the reverse hereof), as applicable, to the same person to whom it is paying the principal amount; provided that if the Operating Partnership would have made a regular interest payment on the Maturity Date, Redemption Date or Repayment Date, as the case may be, it will make that regular interest payment to the Holder as of the applicable Regular Record Date, even if it is not the same person to whom it is paying the principal amount.

Any such interest not so punctually paid or duly provided for ("Defaulted Interest") will forthwith cease to be payable to the Holder on any Regular Record Date, and shall be paid, at the election of the Operating Partnership, to either (i) to the Holder at the close of business on a special record date (the "Special Record Date") for the payment of such Defaulted Interest to be fixed by the Trustee (as defined on the reverse hereof), notice whereof shall be given to the Holder of this Note by the Trustee not less than 10 calendar days prior to such Special Record Date or (ii) at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which this Note may be listed, and upon such notice as may be required by such exchange, all as more fully provided for in the Indenture.

Unless specified on the face hereof, payments of interest on this Note with respect to any Interest Payment Date, Maturity Date, Redemption Date or Repayment Date, as applicable, will include interest accrued from and including each immediately preceding Interest Payment Date (or from and including the Original Date of Issue if no interest has been paid or duly provided for), to, but excluding, the Interest Payment Date, Maturity Date, Redemption Date or Repayment Date, as the case may be.

If an Interest Payment Date, Maturity Date, Redemption Date or Repayment Date, as applicable, falls on a day that is not a Business Day (as defined below), interest (or interest and principal) will be paid on the next Business Day; provided that interest on the payment will not accrue for the period from the original Interest Payment Date, Maturity Date, Redemption Date or Repayment Date, as the case may be, to the date of such payment on the next Business Day.

Unless otherwise specified on the face hereof, the "Interest Payment Dates" shall be June 30 and December 30 of each year. The "Regular Record Dates" shall be June 15 for a June 30 interest payment date, December 15 for a December 30 interest payment date and the date that is 15 calendar days before any other interest payment date, whether or not those dates are Business Days.

"Business Day" as used herein means any day, other than a Saturday or Sunday, (a) that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close (x) in The City of New York or (y) for notes denominated in a specified currency other than U.S. dollars, Australian dollars or euro, in the principal financial center of the country of the specified currency or (z) for notes denominated in Australian dollars, in Sydney, and (b) for notes denominated in euro, that is also a day on which the Trans-European

Automated Real-time Gross Settlement Express Transfer System, which is commonly referred to as “TARGET,” is operating.

Payment of principal (and premium, if any) and interest on, this Note on any day, if the Holder of this Note is DTC (or its nominee or other depository, a “Depository”), will be made in accordance with any applicable provisions of such written agreement between the Operating Partnership, the Trustee and the Depository (or its nominee) as may be in effect from time to time. Otherwise payment of principal (and premium, if any) and interest on, this Note on any day shall be payable and this Note may be surrendered for the registration of transfer or exchange at the Office of the Trustee at 100 Wall Street, Suite 1600, New York, New York 10005, unless the Holder of this Note is notified otherwise; provided, however, that at the option of the Operating Partnership, interest may be paid by check mailed to the address of the Person entitled thereto as such address shall appear in the Operating Partnership’s Security Register or by wire transfer, if proper wire instructions are on file with the Trustee or are received at presentment, to an account maintained by the payee located in the United States. Unless the Holder of this Note is notified otherwise, the place where notices or demands to or upon the Operating Partnership in respect of this Note and the Indenture may be served shall be the Corporate Trust Office of the Trustee at 100 Wall Street, Suite 1600, New York, New York 10005.

To receive payment of a U.S. dollar denominated Note upon redemption (if applicable) or at maturity, a Holder must make presentation and surrender of such Note on or before the Redemption Date or Maturity Date, as applicable. To receive payment of a Note denominated in a Foreign Currency (as defined on the reverse hereof) or composite currency upon redemption or at maturity, a Holder must make presentation and surrender of such Note not less than two Business Days prior to the Redemption Date or Maturity Date, as applicable. Upon presentation and surrender of a Note denominated in a Foreign Currency or composite currency at any time after the date two Business Days prior to the Redemption Date or Maturity Date, as applicable, the Operating Partnership will pay the principal amount (and premium, if any) of such Note, and any interest due upon redemption or at maturity (unless the Redemption Date or Maturity Date is an Interest Payment Date), two Business Days after such presentation and surrender.

For procedures relating to the receipt of payment upon repayment, if applicable, see the reverse hereof.

The Operating Partnership will pay any administrative costs imposed by banks in connection with sending payments by wire transfer, but any tax, assessment or governmental charge imposed upon payments will be borne by the Holders of the Notes in respect of which payments are made.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof and, if so specified on the face hereof, in the Addendum hereto, which further provisions shall for all purposes have the same force and effect as though fully set forth on the face hereof.

This Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under such Indenture.

Notwithstanding the foregoing, if an Addendum is attached hereto or “Other/Additional Provisions” apply to this Note as specified on the face hereof, this Note shall be subject to the terms set forth in such Addendum or such “Other/Additional Provisions.”

IN WITNESS WHEREOF, the Operating Partnership has caused this Instrument to be duly executed under.

Dated:

AMB PROPERTY L.P.
By: AMB PROPERTY CORPORATION,
as General Partner

By: /s/ Michael A. Coke

Michael A. Coke
Executive Vice President and Chief Financial Officer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated and referred to in the within-mentioned Indenture.

STATE STREET BANK AND TRUST
COMPANY OF CALIFORNIA, N.A., as Trustee

By: /s/ State Street Bank and Trust Company of California, N.A.

Authorized Signatory

(REVERSE OF NOTE)

AMB PROPERTY L.P.
MEDIUM-TERM NOTE, SERIES B
(FIXED RATE)

This Note is one of a duly authorized issue of debt securities of the Operating Partnership (hereinafter called the "Securities") of the series hereinafter specified, unlimited in aggregate principal amount, all issued or to be issued under or pursuant to an Indenture dated as of June 30, 1998, as supplemented by the First Supplemental Indenture dated as of June 30, 1998, the Second Supplemental Indenture dated as of June 30, 1998, the Third Supplemental Indenture dated as of June 30, 1998, the Fourth Supplemental Indenture dated as of August 15, 2000 and the Fifth Supplemental Indenture dated as of May 7, 2002, among the Operating Partnership, AMB Property Corporation, a Maryland corporation and general partner of the Operating Partnership (the "Guarantor"), and U.S. Bank, N.A., as successor to State Street Bank and Trust Company of California, N.A., as Trustee; to which Indenture and all indentures supplemental thereto (herein collectively called the "Indenture") reference is hereby made for a specification of the rights and limitation of rights thereunder of the Holders of the Securities, the rights and obligations thereunder of the Operating Partnership and the rights, duties and immunities thereunder of the Trustee. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption or repayment provisions (if any), may be subject to different covenants and defaults and may otherwise vary as provided in the Indenture. This Note is one of a series designated as "Series B Medium-Term Notes" (hereinafter referred to as the "Notes") of the Operating Partnership, of up to $400,000,000 in aggregate principal amount. All terms used in this Note which are defined in the Indenture and which are not otherwise defined in this Note shall have the meanings assigned to them in the Indenture. The terms of the Notes include those stated in the Indenture and those made a part of the Indenture by reference to the Trust Indenture Act of 1939, as amended. The Notes are subject to all such terms, and the Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

Unless stated to the contrary on the face hereof, this Note is issuable only in registered form without coupons in Book-Entry form represented by one or more global notes (each a "Global Note") recorded in the book-entry system maintained by the Depository. If specified on the face hereof, this Note is issuable in certificated form issued to, and registered in the name of, the beneficial owner or its nominee (a "Certificated Note").

Unless a different minimum Authorized Denomination is set forth on the face hereof, this Note is issuable in minimum denominations of (i) if the Specified Currency of this Note is U.S. dollars, U.S. $1,000 and in any larger amount in integral multiples of $1,000 and (ii) if the Specified Currency of this Note is a currency other than U.S. dollars (a "Foreign Currency") or is a composite currency, the equivalent in such Foreign Currency or composite currency determined in accordance with the Market Exchange Rate (as defined below) for such Foreign Currency or composite currency on the Business Day immediately preceding the date on which the Operating Partnership accepts an offer to purchase a Note, of U.S. $1,000 (rounded to an integral multiple of 1,000 units of the Foreign Currency or composite currency), and in any larger amount in integral multiples of 1,000 units.

If this is a Global Note representing Book-Entry Notes, this Note may be transferred or exchanged only through DTC. In the manner and subject to the limitations provided in the Indenture, if this is a Certificated Note, it may be transferred or exchanged, without charge except for any tax or other governmental charge imposed in relation thereto, for other Notes of authorized denominations for a like aggregate principal amount, at the office or agency of the Operating Partnership in the Borough of Manhattan of The City of New York, or, at the option of the Holder, such office or agency, if any, maintained by the Operating Partnership in the city in which the principal executive offices of the Operating Partnership are located or the city in which the principal corporate trust office of the Trustee is located.

The principal (and premium, if any) and interest on, this Note is payable by the Operating Partnership in the Specified Currency.

If this Note is denominated in a Foreign Currency, in the event that the Foreign Currency is not available for payment at a time at which any payment is required hereunder due to the imposition of exchange controls or

other circumstances beyond the control of the Operating Partnership or is no longer used by the government of the country issuing such currency or for the settlement of transactions by public institutions within the international banking community, the Operating Partnership may, in full satisfaction of its obligation to make such payment, make instead a payment in an equivalent amount of U.S. dollars, determined by the Exchange Rate Agent, as specified on the face hereof, on the basis of the Market Exchange Rate for such Foreign Currency on the second Business Day prior to such payment date or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate; provided, however, that if such Specified Currency is replaced by a single European currency, the payment of principal of (and premium, if any) or interest, if any, on this Note denominated in such currency shall be effected in the new single European currency in conformity with legally applicable measures taken pursuant to, or by virtue of, the treaty establishing the European Community, as amended by the treaty on European Unity. The "Market Exchange Rate" for the Specified Currency means the noon dollar buying rate in The City of New York for cable transfers for the Specified Currency as certified for customs purposes by (or if not so certified, as otherwise determined by) the Federal Reserve Bank of New York. Any payment made under such circumstances in U.S. dollars or a new single European currency where the required payment is in a Specified Currency other than U.S. dollars or such single European currency, respectively, will not constitute an Event of Default (as defined in the Indenture).

If the Specified Currency is a composite currency and if such composite currency is unavailable due to the imposition of exchange controls or other circumstances beyond the control of the Operating Partnership, then the Operating Partnership will be entitled to satisfy its obligations to the Holder of this Note by making such payment in U.S. dollars. The amount of each payment in U.S. dollars shall be computed by the Exchange Rate Agent on the basis of the equivalent of the composite currency in U.S. dollars. The component currencies of the composite currency for this purpose (collectively, the "Component Currencies" and each, a "Component Currency") shall be the currency amounts that were components of the composite currency as of the last day on which the composite currency was used. The equivalent of the composite currency in U.S. dollars shall be calculated by aggregating the U.S. dollar equivalents of the Component Currencies. The U.S. dollar equivalent of each of the Component Currencies shall be determined by the Exchange Rate Agent on the basis of the most recently available Market Exchange Rate for each such Component Currency, or as otherwise specified on the face hereof.

If the official unit of any Component Currency is altered by way of combination or subdivision, the number of units of the currency as a Component Currency shall be divided or multiplied in the same proportion. If two or more Component Currencies are consolidated into a single currency, the amounts of those currencies as Component Currencies shall be replaced by an amount in such single currency equal to the sum of the amounts of the consolidated Component Currencies expressed in such single currency. If any Component Currency is divided into two or more currencies, the amount of the original Component Currency shall be replaced by the amounts of such two or more currencies, the sum of which shall be equal to the amount of the original Component Currency.

All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the Holder of this Note.

If a Redemption Commencement Date is specified on the face hereof, this Note may be redeemed, whether or not any other Note is concurrently redeemed, at the option of the Operating Partnership, in whole, or from time to time in part, on any Business Day on or after such Redemption Commencement Date and prior to the Maturity Date, upon mailing by first-class mail, postage prepaid, a notice of such redemption not less than 30 nor more than 60 days prior to the actual date of redemption ("Redemption Date"), to the Holder of this Note at such Holder's address appearing in the Security Register, as provided in the Indenture (provided that, if the Holder of this Note is a Depository or a nominee of a Depository, notice of such redemption shall be given in accordance with any applicable provisions of such written agreement between the Operating Partnership, the Trustee and such Depository (or its nominee) as may be in effect from time to time), at the Redemption Price (as defined below), together in each case with interest accrued to the Redemption Date (subject to the right of the Holder of record on a Regular Record Date to receive interest due on an Interest Payment Date). The "Redemption Price" shall be equal to (i) the Initial Redemption Percentage specified on the face of this Note, as adjusted downward on each anniversary of the Redemption Commencement Date by the Annual Redemption Price Reduction, if any, specified on the face hereof, multiplied by (ii) the unpaid Principal Amount of this Note to be redeemed. In the event of redemption of this Note in part only, a new Note or Notes of this series, and of like tenor, for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

If an Optional Repayment Date(s) is specified on the face hereof, this Note will be subject to repayment by the Operating Partnership at the option of the Holder hereof on such Optional Repayment Date(s), in whole or in part in increments of U.S. $1,000 or other increments specified on the face hereof (as long as any remaining principal is at least $1,000 or another specified minimum denomination), at the Repayment Price specified on the face hereof, together with unpaid interest accrued hereon to the date of repayment ("Repayment Date"). For this Note to be repaid, this Note must be received, together with the form hereon entitled "Option to Elect Repayment" duly completed, by the Trustee at the corporate trust office of the Trustee at 100 Wall Street, Suite 1600 New York, New York 10005 (or at such other address of which the Operating Partnership shall from time to time designate and notify Holders of the Notes) at least 30 but not more than 60 days prior to the Repayment Date. Exercise of such repayment option by the Holder hereof will be irrevocable. In the event of repayment of this Note in part only, a new Note of like tenor for the unrepaid portion hereof and otherwise having the same terms as this Note shall be issued in the name of the Holder hereof upon the presentation and surrender hereof.

If this is a Global Note representing Book-Entry Notes, only the Depository may exercise the repayment option in respect of this Note. Accordingly, if this is a Global Security representing Book-Entry Notes and the beneficial owner desires to have all or any portion of the Book-Entry Note represented by this Global Security repaid, the beneficial owner must instruct the participant through which he owns his interest to direct the Depository to exercise the repayment option on his behalf by delivering this Note and duly completed election form to the Trustee as aforesaid.

If this Note is an Original Issue Discount Note, as specified on the face hereof, the amount payable to the Holder of this Note in the event of redemption, repayment or acceleration of maturity will be equal to the sum of (i) the Issue Price specified on the face hereof (increased by any accruals of the Discount, as defined below) multiplied, in the event of any redemption or repayment of this Note (if applicable), by the Redemption Price or Repayment Price, as the case may be, and (ii) any unpaid interest on this Note accrued from the Original Issue Date to the Redemption Date, Repayment Date or date of acceleration of maturity, as the case may be. The difference between the Issue Price, as specified on the face hereof, and 100% of the principal amount of this Note is referred to herein as the "Discount".

For purposes of determining the amount of Discount that has accrued as of any Redemption Date, Repayment Date or date of acceleration of maturity of this Note, such Discount will be accrued so as to cause the yield on the Note to be constant. The constant yield will be calculated using a 30-day month, 360-day year convention, a compounding period that, except for the Initial Period (as defined below), corresponds to the shortest period between Interest Payment Dates (with ratable accruals within a compounding period) and an assumption that the maturity of this Note will not be accelerated. If the period from the Original Issue Date to the initial Interest Payment Date (the "Initial Period") is shorter than the compounding period for this Note, a proportionate amount of the yield for an entire compounding period will be accrued. If the Initial Period is longer than the compounding period, then such period will be divided into a regular compounding period and a short period, with the short period being treated as provided in the preceding sentence.

In case a default, as defined in the Indenture, shall occur and be continuing with respect to the Notes, the principal amount of all Notes then outstanding under the Indenture may be declared or may become due and payable upon the conditions and in the manner and with the effect provided in the Indenture. The Indenture provides that such declaration may in certain events be annulled by the Holders of a majority in principal amount of the Notes outstanding.

To the extent permitted by, and as provided in, the Indenture, the Operating Partnership may enter into one or more supplements to the Indenture for the purpose of modifying or altering the Indenture, without the consent of any Holders of Notes, for the limited purposes described in the Indenture.

To the extent permitted by, and as provided in, the Indenture, the Operating Partnership may enter into one or more supplements to the Indenture for the purpose of modifying or altering the rights and obligations of the Operating Partnership and the Holders of the Securities (as defined in the Indenture) with the consent of the Holders of not less than a majority in principal amount of all Outstanding Securities (as defined in the Indenture) of any series affected, evidenced as provided in the Indenture.

The Indenture contains provisions for legal defeasance and covenant defeasance with respect to the Notes, in each case, upon compliance with certain conditions set forth therein, which provisions apply to the Notes.

The Operating Partnership, the Trustee, any Authenticating Agent, any paying agent and any Security registrar may deem and treat the registered Holder hereof as the absolute owner hereof (whether or not this Note shall be overdue and notwithstanding any notice of ownership or other writing hereon by anyone other than the Operating Partnership or any Security registrar) for the purpose of receiving payment of or on account of the principal hereof (and premium, if any), and interest hereon, and for all other purposes, and none of the Operating Partnership, the Trustee, an Authenticating Agent, a paying agent nor the Security registrar shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the liability upon this Note to the extent of the sum or sums so paid.

No recourse under or upon any obligation, covenant or agreement of the Indenture or of this Note, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, partner, stockholder, officer or director, as such, past, present or future, of the Operating Partnership or the Guarantor or of any successor entity, either directly or through the Operating Partnership or the Guarantor, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that the Indenture and this Note are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by the incorporators, partners, stockholders, officers or directors, as such, of the Operating Partnership or the Guarantor or of any successor entity, or any of them, because of the creation of the indebtedness authorized by the Indenture, or under or by reason of the obligations, covenants or agreements contained in the Indenture or this Note or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, or any and all such rights and claims against, every such incorporator, partner, stockholder, officer or director, as such, because of the creation of the indebtedness authorized by the Indenture, or under or by reason of the obligations, covenants or agreements contained in the Indenture or this Note or implied therefrom, are, by acceptance of this Note, hereby expressly waived and released as a condition of, and as consideration for, the issue of this Note. In the event of any sale or transfer of its assets and liabilities substantially as an entirety to a successor entity, the predecessor entity may be dissolved and liquidated as more fully set forth in the Indenture.

All U.S. dollar amounts used in or resulting from calculations referred to in this Note shall be rounded to the nearest cent (with one half cent being rounded upwards).

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

PARENT GUARANTEE

FOR VALUE RECEIVED, the undersigned hereby, jointly and severally with the Subsidiary Guarantors, if any, unconditionally guarantees to the Holder of the accompanying Series B Medium-Term Note (the “Note”) issued by AMB Property, L.P. (the “Operating Partnership”) under an Indenture dated as of June 30, 1998 (together with the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, each dated as of June 30, 1998, the Fourth Supplemental Indenture dated as of August 15, 2000 and the Fifth Supplemental Indenture dated as of May 7, 2002, the “Indenture”) among the Operating Partnership, AMB Property Corporation and U.S. Bank, N.A., as successor to State Street Bank and Trust Company of California, N.A., as trustee (the “Trustee”), (a) the full and prompt payment of the principal of and premium, if any, on such Note when and as the same shall become due and payable, whether at the Maturity Date (as defined in the Note), by acceleration, by redemption, repurchase or otherwise, and (b) the full and prompt payment of the interest on such Note when and as the same shall become due and payable, according to the terms of such Note and of the Indenture. In case of the failure of the Operating Partnership punctually to pay any such principal, premium or interest, the undersigned hereby agrees to cause any such payment to be made punctually when and as the same shall become due and payable, whether at the Maturity Date, upon acceleration, by redemption or repayment or otherwise, and as if such payment were made by the Operating Partnership. The undersigned hereby agrees, jointly and severally with the Subsidiary Guarantors, if any, that its obligations hereunder shall be as principal and not merely as surety, and shall be absolute and unconditional, and shall not be affected, modified or impaired by the following: (a) the failure to give notice to the Guarantors of the occurrence of an Event of Default under the Indenture; (b) the waiver, surrender, compromise, settlement, release or termination of the payment, performance or observance by the Operating Partnership or the Guarantors of any or all of the obligations, covenants or agreements of either of them contained in the Indenture or any Note; (c) the acceleration, extension or any other changes in the time for payment of any principal of or interest or any premium on any Note or for any other payment under the Indenture or of the time for performance of any other obligations, covenants or agreements under or arising out of the Indenture or any Note; (d) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture or any Note; (e) the taking or the omission of any of the actions referred to in the Indenture and in any of the actions under any Note; (f) any failure, omission, delay or lack on the part of the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Trustee in the Indenture, or any other action or acts on the part of the Trustee or any of the Holders from time to time of any Note; (g) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting the Guarantors or the Operating Partnership or any of the assets of any of them, or any allegation or contest of the validity of this Parent Guarantee in any such proceeding; (h) to the extent permitted by law, the release or discharge by operation of law of the Guarantors from the performance or observance of any obligation, covenant or agreement contained in the Indenture; (i) to the extent permitted by law, the release or discharge by operation of law of the Operating Partnership from the performance or observance of any obligation, covenant or agreement contained in the Indenture; (j) the default or failure of the Operating Partnership or the Trustee fully to perform any of its obligations set forth in the Indenture or any Note; (k) the invalidity, irregularity or unenforceability of the Indenture or any Note or any part of any thereof; (l) any judicial or governmental action affecting the Operating Partnership or any Note or consent or indulgence granted to the Operating Partnership by the Holders or by the Trustee; or (m) the recovery of any judgment against the Operating Partnership or any action to enforce the same or any other circumstance which might constitute a legal or equitable discharge of a surety or guarantor. The undersigned hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger, sale, lease or conveyance of all or substantially all of its assets, insolvency or bankruptcy of any Guarantor or the Operating Partnership, any right to require a proceeding first against any other Guarantor or the Operating Partnership, protest or notice with respect to such Note or the indebtedness evidenced thereby and all demands whatsoever, and covenants that this Parent Guarantee will not be discharged except by complete performance of the obligations contained in such Note and in this Parent Guarantee.

No reference herein to such Indenture and no provision of this Parent Guarantee or of such Indenture shall alter or impair the guarantee of the undersigned, which is absolute and unconditional, of the full and prompt payment of the principal of and premium, if any, and interest on the Note.

THIS PARENT GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK.

This Parent Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Note shall have been executed by the Trustee under the Indenture referred to above by the manual signature of one of its authorized officers. The validity and enforceability of this Parent Guarantee shall not be affected by the fact that it is not affixed to any particular Note.

An Event of Default under the Indenture or any Note shall constitute an event of default under this Parent Guarantee, and shall entitle the Holder of the Note to accelerate the obligations of the undersigned hereunder in the same manner and to the same extent as the obligations of the Operating Partnership.

Notwithstanding any other provision of this Parent Guarantee to the contrary, the undersigned hereby waives any claims or other rights which it may now have or hereafter acquire against any other Guarantor or the Operating Partnership that arise from the existence or performance of its obligations under this Parent Guarantee (all such claims and rights are referred to as “Guarantor’s Conditional Rights”), including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, or indemnification, any right to participate in any claim or remedy against any Guarantor or the Operating Partnership, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, by any payment made hereunder or otherwise, including without limitation, the right to take or receive from any Guarantor or the Operating Partnership, directly or indirectly, in cash or other property or by setoff or in any other manner, payment or security on account of such claim or other rights. The undersigned hereby agrees not to exercise any rights which may be acquired by way of contribution under this Parent Guarantee or any other agreement, by any payment made hereunder or otherwise, including, without limitation, the right to take or receive from any other guarantor, directly or indirectly, in cash or other property or by setoff or in any other manner, payment or security on account of such contribution rights. If, notwithstanding the foregoing provisions, any amount shall be paid to the undersigned on account of the Guarantor’s Conditional Rights and either (i) such amount is paid to such undersigned party at any time when the indebtedness shall not have been paid or performed in full, or (ii) regardless of when such amount is paid to such undersigned party, any payment made by any Guarantor or the Operating Partnership to a Holder that is at any time determined to be a Preferential Payment (as defined below), then such amount paid to the undersigned shall be held in trust for the benefit of such Holder and shall forthwith be paid such Holder to be credited and applied upon the indebtedness, whether matured or unmatured. Any such payment is herein referred to as a “Preferential Payment” to the extent any Guarantor or the Operating Partnership makes any payment to such Holder in connection with the Note, and any or all of such payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid or paid over to a trustee, receiver or any other entity, whether under any bankruptcy act or otherwise.

To the extent that any of the provisions of the immediately preceding paragraph shall not be enforceable, the undersigned agrees that until such time as the indebtedness has been paid and performed in full and the period of time has expired during which any payment made by any Guarantor, the Operating Partnership or the undersigned to a Holder may be determined to be a Preferential Payment, Guarantor’s Conditional Rights to the extent not validly waived shall be subordinate to Holders’ right to full payment and performance of the indebtedness and the undersigned shall not enforce any of Guarantor’s Conditional Rights until such time as the indebtedness has been paid and performed in full and the period of time has expired during which any payment made by any Guarantor, the Operating Partnership or the undersigned to Holders may be determined to be a Preferential Payment.

The obligations of the undersigned to the Holder of the Note and to the Trustee pursuant to this Parent Guarantee and the Indenture are expressly set forth in Article 14 of the Indenture and reference is hereby made to the Indenture for the precise terms of this Parent Guarantee and all of the other provisions of the Indenture to which this Parent Guarantee relates.

Capitalized terms used in this Parent Guarantee which are not defined herein shall have the meanings assigned to them in the Indenture.

IN WITNESS WHEREOF, the undersigned has caused this Parent Guarantee to be duly executed.

Dated: November 10, 2003

AMB PROPERTY CORPORATION

By: /s/ Michael A. Coke

Name: Michael A. Coke
Title: Executive Vice President and Chief Financial Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto:

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF ASSIGNEE: ______________________________

____

(Please print or typewrite name and address of Assignee, including postal zip code of assignee)

____

this Note and all rights thereunder, hereby irrevocably constituting and appointing:

____

Attorney, to transfer this Note on the books of the Trustee, with full power of substitution in the premises.

Dated: ______________________________

____

Notice: The signature(s) on this Assignment must correspond with the name(s) as written upon the face of this Note in every particular, without alteration or enlargement or any change whatsoever.

OPTION TO ELECT REPAYMENT

The undersigned hereby requests and irrevocably instructs the Operating Partnership to repay the within Note on the Optional Repayment Date specified on the face hereof occurring at least 30 but not more than 60 days after the date of receipt of the within Note by the Trustee at the corporate trust office of the Trustee at 100 Wall Street, Suite 1600, New York, New York 10005 (or at such other addresses of which the Operating Partnership shall notify the registered holders of the Note of this series).

(   ) In whole

(   ) In part equal to $ (must be a whole multiple of $1,000 and the remaining principal amount must be at least $1,000; or if the Note is denominated in a Foreign Currency or composite currency, rounded integrals of 1,000 units of the Foreign Currency or composite currency and the remaining principal amount must be at least 1,000 units of the Foreign Currency or composite currency)

at a price equal to the Repayment Price, determined in accordance with the terms of the Note.

Signature:

Notice: The signature on this Option to Elect Repayment must correspond with the name as written upon the face of the within instrument in every particular without alteration or enlargement or any change whatever

Please print or type name and address:

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM— as tenants in common

TEN ENT—as tenants by the entireties

JT TEN—as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT— ______ Custodian ______
(Cust) (Minor)
Under Uniform Gifts to Minors Act ______
(State)

Additional abbreviations may also be used though not in the above list.

Exhibit 31.1

CERTIFICATIONS

I, Hamid R. Moghadam, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of AMB Property Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2003

By: /s/ HAMID R. MOGHADAM

Hamid R. Moghadam
Chairman of the Board and
Chief Executive Officer

I, W. Blake Baird, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of AMB Property Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such

disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2003

By: /s/ W. BLAKE BAIRD

W. Blake Baird
President and Director

I, Michael A. Coke, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of AMB Property Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design

or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2003

By: /s/ Michael A. Coke

Michael A. Coke
Chief Financial Officer and
Executive Vice President

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER, PRESIDENT AND CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of AMB Property Corporation (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 13, 2003

/s/ HAMID R. MOGHADAM

Hamid R. Moghadam
Chairman of the Board and
Chief Executive Officer

/s/ W. BLAKE BAIRD

W. Blake Baird
President and Director

/s/ Michael A. Coke

Michael A. Coke
Chief Financial Officer and
Executive Vice President

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.